uMLALAZI MUNICIPALITY

ANNUAL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2013

uMLALAZI MUNICIPALITY

INDEX

Annual Financial Statements

for

uMlalazi Municipality

for the year ended 30 June 2013

Province:	**KwaZulu-Natal**
AFS rounding:	**To the nearest Rand**

Contact Information:

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uMLALAZI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

General information

Members of the Council

Councillor T B Zulu	Mayor and chairperson of the Executive Committee
Councillor M T-G Mchunu	Deputy Mayor and member of the Executive Committee (01 July 2012 - 03 September 2013)
Councillor Prof N M Khubisa	Deputy Mayor and member of the Executive Committee (04 September - 30 June 2013)
Councillor M M M Ntuli	Chief Whip
Councillor E N Mtshali	Speaker
Councillor C M Gamede	Member of the Executive Committee
Alderman S B Larkan	Member of the Executive Committee
Councillor M Mbuyazi	Member of the Executive Committee
Councillor C T Ndwalane	Member of the Executive Committee
Councillor B R L Ngema	Member of the Executive Committee
Councillor J K Powell	Member of the Executive Committee
Councillor I Woolatt	Member of the Executive Committee
Councillor Q T Xulu	Member of the Executive Committee

Councillor M B Biyela	Member	Councillor M M Mzimela	Member
Councillor N L Biyela	Member	Councillor N S Mzimela	Member
Councillor B S Cebekhulu	Member	Councillor S Naicker	Member
Councillor M M Cebekhulu	Member	Councillor I F Ndwandwe	Member
Councillor M E Dlamini	Member	Councillor S G Ngema	Member
Councillor P G Dlolane	Member	Councillor D T Ngonyama	Member
Councillor M Dludla	Member	Councillor M Z Nkwanyana	Member
Councillor T A Hlatshwayo	Member	Councillor T E Ntsele	Member
Councillor E Z Jaffe	Member	Councillor M G Ntuli	Member
Councillor M M Khanyile	Member	Councillor M H Qwabe	Member
Councillor K Khumalo	Member	Councillor S Schoeman	Member
Councillor B C Magwaza	Member	Councillor T G Shandu	Member
Councillor K B Magwaza	Member	Councillor B P Simelane	Member
Councillor M E T Magwaza	Member	Councillor S S Sithole	Member
Councillor S G Mbambo	Member	Councillor E A Talmage	Member
Councillor S K Mbatha	Member	Councillor B L Thusi	Member
Councillor M F Mdluli	Member	Councillor V M Xulu	Member
Councillor Z A Mhlongo	Member	Councillor M G Zondi	Member
Councillor N M Mnqayi	Member	Councillor N S Zulu	Member
Councillor F M Mtengu	Member	Councillor E M Zwane	Member

General information (continued)

Municipal Manager

Simon Mashabane

Chief Financial Officer

Zakhele Mhlongo

Grading of Local Authority

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Auditors

Auditor - General

Bankers

First National Bank, Eshowe

Registered Office:	Municipal Buildings, Eshowe
Physical address:	Hutchinson Street Eshowe
Postal address:	P O Box 37 Eshowe 3815
Telephone number:	035 - 473 3474
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E - mail address:	mm@umlalazi.org.za

uMLALAZI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Certification by the Accounting Officer

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 96 in terms of section 126 (1) of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 11 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' determination in accordance with this Act

Municipal Manager

DATE: 30/08/2013

uMLALAZI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	2013	(Restated) 2012
		R	R
ASSETS			
Current assets			
Inventory	7	3 314 328	2 773 462
Receivables from exchange transactions	8	22 598 164	21 789 635
Current portion of loans receivable	6	25 746	20 444
Cash and cash equivalents	15	60 488 499	37 547 730
		86 426 738	62 131 271
Non-current assets			
Property, plant and equipment	54	471 590 233	456 018 344
Intangible assets	49	63 371	46 427
Investment property carried at fair value	14	10 315 502	9 400 902
Investments	5	1 000	1 000
Deposits with creditors	6	658 123	653 123
Loans receivable	6	765 222	775 580
		483 393 451	466 895 376
Total assets		**569 820 188**	**529 026 647**
LIABILITIES			
Current liabilities			
Consumer deposits	4	1 155 017	1 098 766
Payables from exchange transactions	9	21 278 693	9 211 836
VAT payable	50	388 779	512 715
Unspent conditional grants and receipts	55	16 200 069	8 404 648
Loans payable	3	342 816	342 816
Employee benefits	44	3 685 768	15 991 428
		43 051 142	35 562 210
Non-current liabilities			
Loans payable	3	5 142 235	5 485 050
Provisions	28	6 558 208	7 532 823
Employee benefit obligations	29	12 834 056	11 745 160
		24 534 499	24 763 033
Total liabilities		**67 585 641**	**60 325 243**
Net assets		**502 234 548**	**468 701 404**
NET ASSETS			
Housing operating account	2	12 133 178	11 651 115
Revaluation surplus		248 433 886	258 459 774
Accumulated surplus	17	241 667 485	198 590 515
Total net assets		**502 234 548**	**468 701 404**

uMLALAZI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2013

			Actual	
		Notes	2013	(Restated) 2012
			R	R
REVENUE				
Revenue from Non-exchange Transactions			**124 397 865**	**101 810 107**
Taxation revenue			30 865 112	29 413 165
Property rates		10	30 174 405	28 733 363
Property rates - penalties imposed			690 706	679 802
Transfer revenue			90 698 176	69 774 421
Government grants and subsidies - operational		24	90 698 176	69 774 421
Other			2 834 577	2 622 521
Fines			2 834 577	2 622 521
Revenue from Exchange Transactions			**67 054 668**	**62 124 309**
Service charges		16	57 499 708	52 027 232
Rental of facilities and equipment		38	1 707 118	1 515 776
Interest earned- external investments		39	2 491 098	1 139 217
Licences and permits		40	3 389 497	3 317 766
Other income		41	1 845 370	1 663 256
Gain/ (loss) on sale of assets		42	121 876	2 461 062
Total revenue			**191 452 533**	**163 934 416**
EXPENDITURE				
Employee related costs	13	27	54 021 534	51 875 069
Remuneration of councillors	14	11	12 732 586	12 059 172
Bad debts	15	8	1 370 840	1 846 094
Depreciation	17	18	8 055 809	7 548 141
Repairs and maintenance	18	34	10 539 721	10 013 279
Finance costs	19	12	708 921	770 248
Bulk purchases	20	25	35 991 959	31 537 202
Contracted services	21	36	19 453 600	17 921 232
Post retirement medical benefits and long service awards	22	30	1 597 584	2 415 986
General expenses	23	37	48 981 414	26 209 380
Allowances to staff leave	25	43	1 381 949	1 063 810
Less: Recharges				-16 270
Total expenditure			**194 835 916**	**163 243 343**
Profit/ (loss) on fair value adjustment		14	914 600	800 100
SURPLUS/ (DEFICIT) FOR THE YEAR			**-2 468 783**	**1 491 173**
Transfers recognised - capital			35 092 873	28 305 512
SURPLUS/ (DEFICIT) FOR THE YEAR AFTER CAPITAL TRANSFERS			**32 624 090**	**29 796 685**

uMLALAZI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2013

	Housing operating account	(Restated) Revaluation surplus	(Restated) Accumulated surplus	(Restated) Total
	R	R	R	R
Balance at 30 June 2011	11 155 797	249 323 168	169 200 470	429 679 435
Surplus (deficit) for the year	642		29 796 044	29 796 685
Adjustments prior year			-405 998	-405 998
Surplus arising on revaluation of properties		33 882 918		33 882 918
Write off against revaluation of properties		-1 824 600		-1 824 600
Transfer to Housing Operating Account	-21 924			-21 924
Public contributions	90 561			90 561
Interest received	426 040			426 040
Offsetting of depreciation		-22 921 712		-22 921 712
Balance at 30 June 2012	**11 651 115**	**258 459 774**	**198 590 515**	**468 701 404**
Balance at 30 June 2012	11 651 115	258 459 774	198 590 515	468 701 404
Surplus (deficit) for the year	78 620		32 545 470	32 624 090
Transfer to Capital Replacement Reserve			10 531 499	10 531 499
Transfer to Housing Operating Account	-4 925			-4 925
Public contributions	97 380			97 380
Interest received	310 988			310 988
Offsetting of depreciation		-10 025 888		-10 025 888
Balance at 30 June 2013	**12 133 178**	**248 433 886**	**241 667 485**	**502 234 550**
	(Note 2)	**(Note 13)**	**(Note 17)**	

uMLALAZI MUNICIPALITY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts:			
Receipts from consumers and other		117 377 969	111 655 203
Government - Operating		90 698 176	69 774 421
Government - Capital		35 092 873	28 305 512
Interest income		2 905 917	1 667 315
Payments:			
Suppliers		-120 685 625	-107 336 300
Employee costs		-66 754 120	-63 934 241
Finance costs		-708 921	-770 248
Transfers and grants		-2 811 927	-2 572 257
Net cash flow from operating activities		55 114 342	36 789 405
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts:			
Proceeds on disposal of Property, Plant and Equipment		121 876	2 512 500
(Increase)/ decrease in loans receivable		5 358	28 137
Payments:			
Purchase of Property, Plant and Equipment		-34 806 043	-24 657 942
Net cash flows from investing activities		**-34 678 809**	**-22 117 305**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts:			
Increase in consumer deposits		56 251	119 415
Payments:			
Repayment of loans payable	20	-342 816	-342 816
(Increase)/ decrease in investments	21	2 791 802	1 941 987
Net cash flows from financing activities		**2 505 237**	**1 718 586**
Net increase/ (decrease) in cash and cash equivalents		22 940 771	16 390 686
Cash and cash equivalents at the beginning of the year		37 547 730	21 157 044
Cash and cash equivalents at the end of the year	15	**60 488 499**	**37 547 730**

UMLALAZI MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2013

Statement of Financial Position	Approved Budget 2013	Adjustments	Final Budget 2013	Actual 2013	Final Budget and Actual 2013	Note reference
	R		R	R	R	
ASSETS						
Current assets						
Inventory	1 850 000	161 000	2 011 000	3 314 328	1 303 328	53.1.1
Receivables from exchange transactions	22 712 000	2 088 000	24 800 000	22 598 164	-2 201 836	53.1.2
Current portion of loans receivable	20 000	-	20 000	25 746	5 746	
Cash and cash equivalents	14 681 000	4 464 000	19 145 000	60 488 499	41 343 499	53.1.3
	39 263 000	6 713 000	45 976 000	86 426 738	40 450 738	
Non-current assets						
Property, plant and equipment	400 199 000	42 405 000	442 604 000	471 590 233	28 986 233	53.1.4
Intangible assets	5 000	51 000	56 000	63 371	7 371	
Investment property carried at fair value	15 421 000	-5 220 000	10 201 000	10 315 502	114 502	
Investments	1 000	-	1 000	1 000	-	
Deposits with creditors	720 000	-	720 000	658 123	-61 877	
Loans receivable	750 000	-	750 000	765 222	15 222	
	417 096 000	37 236 000	454 332 000	483 393 451	29 061 450	
Total assets	**456 359 000**	**43 949 000**	**500 308 000**	**569 820 188**	**69 512 188**	
LIABILITIES						
Current liabilities						
Consumer deposits	1 329 000	-	1 329 000	1 155 017	-173 983	
Payables from exchange transactions	10 311 000	-	10 311 000	21 278 693	10 967 693	53.1.5
VAT payable	1 300 000	-	1 300 000	388 779	-911 221	53.1.6
Unspent conditional grants and receipts	4 149 000	-1 900 000	2 249 000	16 200 069	13 951 069	53.1.7
Loans payable	343 000	-	343 000	342 816	-184	
Employee benefits	4 656 000	-323 000	4 333 000	3 685 768	-647 232	53.1.8
	22 088 000	-2 223 000	19 865 000	43 051 142	23 186 142	
Non-current liabilities						
Loans payable	5 142 000	-	5 142 000	5 142 235	235	
Provisions	7 533 000	-3 918 000	3 615 000	6 558 208	2 943 208	53.1.9
Employee benefit obligations	13 478 000	1 071 000	14 549 000	12 834 056	-1 714 944	53.1.10
	26 153 000	-2 847 000	23 306 000	24 534 499	1 228 499	
Total liabilities	**48 241 000**	**-5 070 000**	**43 171 000**	**67 585 641**	**24 414 641**	
Net assets	**408 118 000**	**49 019 000**	**457 137 000**	**502 234 548**	**45 097 547**	
NET ASSETS						
Housing operating account	12 117 000	-	12 117 000	12 133 178	16 178	
Revaluation surplus	139 545 000	70 661 000	210 206 000	248 433 886	38 227 886	53.1.11
Accumulated surplus	256 456 000	-21 642 000	234 814 000	241 667 485	6 853 485	53.1.12
Total net assets	**408 118 000**	**49 019 000**	**457 137 000**	**502 234 548**	**45 097 549**	

UMLALAZI MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2013

Statement of Financial Performance	Approved Budget 2013	Adjustments	Final Budget 2013	Actual 2013	Difference: Final Budget and Actual 2013	Note reference
	R		R	R	R	
REVENUE						
Revenue from Non-exchange Transactions	**139 176 000**	**-4 605 908**	**134 570 092**	**124 397 865**	**-10 172 227**	
Taxation revenue	41 315 220	-9 641 550	31 673 670	30 865 112	-717 165	
Property rates	40 681 840	-9 790 270	30 891 570	30 174 405	-717 165	53.2.1
Property rates - penalties imposed	633 380	148 720	782 100	690 706	-91 394	
Transfer revenue	92 955 020	6 508 882	99 463 902	90 698 176	-8 765 726	
Government grants and subsidies - operational	92 955 020	6 508 882	99 463 902	90 698 176	-8 765 726	53.2.2
Other	4 905 760	-1 473 240	3 432 520	2 834 577	-597 943	
Fines	4 905 760	-1 473 240	3 432 520	2 834 577	-597 943	53.2.3
Revenue from Exchange Transactions	**64 981 790**	**972 760**	**65 954 550**	**67 054 668**	**1 100 118**	
Service charges	57 435 580	620 380	58 055 960	57 499 708	-556 252	53.2.3
Rental of facilities and equipment	1 234 910	-27 190	1 207 720	1 707 118	499 398	
Interest earned- external investments	650 000	450 000	1 100 000	2 491 098	1 391 098	53.2.4
Licences and permits	3 468 020	-101 840	3 366 180	3 389 497	23 317	
Other income	1 993 280	31 410	2 024 690	1 845 370	-179 320	
Gain/ (loss) on sale of assets	200 000	-	200 000	121 876	-78 125	
Total revenue	**204 157 790**	**-3 633 148**	**200 524 642**	**191 452 533**	**-9 072 109**	
EXPENDITURE						
Employee related costs	58 777 340	-3 255 090	55 522 250	54 021 534	-1 500 716	53.2.5
Remuneration of councillors	12 774 190	-5 310	12 768 880	12 732 586	-36 294	
Bad debts	1 292 460	-	1 292 460	1 370 840	78 380	
Depreciation	8 804 370	-703 220	8 101 150	8 055 809	-45 341	
Repairs and maintenance	8 548 250	2 171 885	10 720 135	10 539 721	-180 414	
Finance costs	816 620	-104 680	711 940	708 921	-3 019	
Bulk purchases	33 922 010	1 787 640	35 709 650	35 991 959	282 309	
Contracted services	18 162 310	1 694 465	19 856 775	19 453 600	-403 175	
Post retirement medical benefits and long service awards	1 115 370	-	1 115 370	1 597 584	482 214	
General expenses	59 886 880	-5 731 188	54 155 692	48 981 414	-5 174 278	53.2.6
Contributions to staff leave	1 513 640	-200 000	1 313 640	1 381 949	68 309	
Total expenditure	**205 613 440**	**-4 345 498**	**201 267 942**	**194 835 916**	**-6 432 026**	
Profit/ (loss) on fair value adjustment	1 500 000	-700 000	800 000	914 600	114 600	
SURPLUS/ (DEFICIT) FOR THE YEAR	**44 350**	**12 350**	**56 700**	**-2 468 783**	**-2 525 483**	
Transfers recognised - capital	47 594 400	-6 983 065	40 611 335	35 092 873	-5 518 462	53.2.7
SURPLUS/ (DEFICIT) FOR THE YEAR AFTER CAPITAL TRANSFERS	**47 638 750**	**-6 970 715**	**40 668 035**	**32 624 090**	**-8 043 945**	

UMLALAZI MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2013

		Approved Budget 2013	Adjustments	Final Budget 2013	Actual 2013	Final Budget and Actual 2013	Note reference
Cash Flow Statement							
R		**R**		**R**	**R**	**R**	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts:							
Receipts from consumers and other		97 750 000	-1 877 000	95 873 000	117 377 969	21 504 969	53.3.1
Government - Operating		92 955 000	6 509 000	99 464 000	90 698 176	-8 765 824	53.3.2
Government - Capital		51 414 000	-15 570 000	35 844 000	35 092 873	-751 127	53.3.3
Interest income		650 000	450 000	1 100 000	2 491 098	1 391 098	53.3.4
Payments:							
Suppliers		-116 809 000	-7 225 000	-124 034 000	-115 152 335	8 881 665	53.3.5
Employee costs		-71 551 000	1 904 000	-69 647 000	-66 754 120	2 892 880	53.3.6
Finance costs		-817 000	105 000	-712 000	-708 921	3 079	
Transfers and grants		-2 718 000	-	-2 718 000	-2 811 927	-93 927	
Net cash flow from operating activities	19	**50 874 000**	**-15 704 000**	**35 170 000**	**60 232 813**	**25 062 813**	
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts:							
Proceeds on disposal of Property, Plant and Equipment		200 000	-	200 000	121 876	-78 124	
(Increase)/ decrease in loans receivable		-3 000	-38 000	-41 000	5 358	46 358	
Payments:							
Purchase of Property, Plant and Equipment		-51 414 000	11 647 000	-39 767 000	-34 806 021	4 960 979	53.3.7
Net cash flows from investing activities		**-51 217 000**	**11 609 000**	**-39 608 000**	**-34 678 787**	**4 929 213**	
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts:							
Increase in consumer deposits		160 000	70 000	230 000	56 251	-173 749	
Payments:							
Repayment of loans payable		-343 000	-	-343 000	-342 816	184	
(Increase)/ decrease in investments					-2 326 692	-2 326 692	53.3.8
Net cash flows from financing activities		**-183 000**	**70 000**	**-113 000**	**-2 613 257**	**-2 500 257**	
Net increase/ (decrease) in cash and cash equivalents		-526 000	-4 025 000	-4 551 000	22 940 769	27 491 769	
Cash and cash equivalents at the beginning of the year		2 006 000	5 516 000	7 522 000	37 547 730	30 025 730	53.3.9
Cash and cash equivalents at the end of the year	15	**1 480 000**	**1 491 000**	**2 971 000**	**60 488 499**	**57 517 499**	53.3.10

1. NOTE 1 : ACCOUNTING POLICIES

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board (“ASB”) in March 2009 and May 2010, respectively, as amended.

1.1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

a) is required by a Standard of GRAP; or
b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.1.2.1 Revenue Recognition

Accounting Policy 1.10.2 on *Revenue from Exchange Transactions* and Accounting Policy 1.10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: Revenue from Non-exchange Transactions. In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

1.1.2.3 Impairment of Financial Assets

Accounting Policy 1.6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 1.3.3 and 1.4, the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.1.2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19 *Employee Benefits*. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note 1.13.

1.1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.1.6 New standards and interpretations

1.1.6.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when a municipality receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As a municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard may have a material impact on the municipality's financial statements as it relates to Unspent Conditional Grants and Receipts.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, a municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where a municipality prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements, but results in more disclosure in the financial statements.

GRAP 21: Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

A municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- depreciated replacement cost approach;
- restoration cost approach; or
- service units approach.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, a municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have/has a material impact on the municipality's financial statements.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by a municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

A municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, a municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, a municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The Standard of GRAP requires judgment in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the Standard of GRAP, a municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The Standard of GRAP also states that a restriction on the disposal of a heritage asset does not preclude the municipality from determining the fair value.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but a municipality should assess at each reporting date whether there is an indication that it may be impaired.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

The municipality further adopted the transitional provisions as set out in Directive 3 in respect of Heritage assets, regarding measurement and related presentation and disclosure.

GRAP 104: Financial Instruments

The Standard of GRAP prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

A municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

1.1.6.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
- all short-term employee benefits;
- short-term compensated absences;
- bonus, incentive and performance related payments;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 27: Agriculture

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the IPSASB that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

GRAP 31: Intangible Assets

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition-date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

For the year under review, Council has applied IPSAS 20.

IGRAP 16: Intangible Assets - Website Costs

The Interpretation deals with the treatment of a municipality's own website. The guidance on website costs was previously included in the Standard of GRAP on Intangible Assets.

It concludes that a municipality’s own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, a municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires a municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If a municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this Interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

Improvements to Standards of GRAP

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011:
- GRAP 1;
- GRAP 3;
- GRAP 7;
- GRAP 9;
- GRAP 12;
- GRAP 13;
- GRAP 16; and
- GRAP 17.

The changes made will have no significant impact, except for the following:

A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates.

Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

1.1.6.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

No effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

1.2 HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.3 PROPERTY, PLANT AND EQUIPMENT

1.3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

1.3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. Components of

assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Details	**Years**
Infrastructure	
Roads	10 – 30
Electricity	20 - 30
Storm Water	10 – 30
Solid Waste Disposal	10 – 30
Community	
Community and Recreation Facilities	20 – 30
Other Assets	20 – 30
Vehicles	5 – 10
Furniture and Fittings	7 – 10

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

1.3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

1.3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

1.3.8 Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

1.3.9 Impairment of Assets

1.3.9.1 Cash - generating Assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

1.3.9.2 Impairment of Non-cash Generating Assets

Identification

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset no impairment recognised.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

1.4 INTANGIBLE ASSETS

1.4.1 Initial Recognition

Identifiable non–monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

1.4.2 Subsequent Measurement, Amortisation and Impairment

Subsequently all intangible assets are measured at cost, less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes (excluding electricity servitudes) obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in surplus or deficit for the year.

1.4.3 Derecognition of Intangible Assets

The carrying amount of an intangible asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortisation and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

1.5 INVESTMENT PROPERTY

1.5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction or at a nominal value its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

1.5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is

based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the year.

The carrying amount of an investment property is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an investment property is included in surplus or deficit for the year when the asset is derecognised..

Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

1.6 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

1.6.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Type of Financial Asset	**Classification in terms of GRAP 104**
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Financial assets at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and

cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

1.6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term Loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

In accordance with IAS 39.09, the *Financial Liabilities* of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

1.6.3 Initial and Subsequent Measurement

1.6.3.1 Financial Assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

1.6.3.2 Financial Liabilities:

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis..

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

1.6.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all

outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made whereby the recoverability of Consumer Debtors is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.7 RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

1.7.1 Credit Risk

- Each class of financial assets is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial assets covered by collateral are specified.

1.7.2 Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

1.7.3 Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.
- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

1.7.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1.8 INVENTORIES

Inventories comprising consumable stores, raw materials and finishing goods are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value, determined on the weighted average cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge

Unsold properties represent unsold units in economic selling schemes where the net realisable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of current replacement cost would not only distort the statement of financial position by inflating the value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.9 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

1.9.1 Non-current assets held for sale

1.9.1.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.9.1.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9.2 Discontinued operations

A discontinued operation is a component of the municipality that either has been disposed of or is classified as held for sale and:

(a) represents a distinguishable activity, group of activities or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or

(c) is a controlled entity acquired exclusively with a view to resale.

Discontinued operations are presented separately from continuing operations in the annual financial statements.

1.10 REVENUE RECOGNITION

1.10.1 General

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.10.2 Revenue from Exchange Transactions

1.10.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

1.10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

1.10.2.3 Finance income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportionate basis that takes into account the effective yield on the investment.

1.10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

1.10.2.5 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

1.10.3 Revenue from Non-exchange Transactions

1.10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1.10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will received based on past experience of amounts collected.

1.10.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

1.10.3.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.11 GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in surplus of deficit for the year.

1.12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.13 EMPLOYEE BENEFITS

1.13.1 Short-term Employee Benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

1.13.2 Past service costs

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1.13.3 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

1.13.4 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

1.13.4.1 Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

1.13.4.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

1.13.4.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

1.14 LEASES

1.14.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, plant, equipment or Intangible Assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a

straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.14.2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.15 BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are recognised as an expense in surplus or deficit for the year.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

1.16 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

1.17 CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.18 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality’s or Municipal Entities’ supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.21 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.22 RELATED PARTIES

Individuals, including councilors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.23 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.24 COMPARATIVE INFORMATION

1.24.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.25 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.26 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

NOTE 2 - 55: OTHER NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2013	2012
		R	R
2. HOUSING OPERATING ACCOUNT			
Government loans extinguished in 1998	1	4 189 367	4 194 293
Instalments received from borrowers	2	7 600 126	7 191 758
Accumulated surplus	3	343 685	265 064
		12 133 178	**11 651 115**
Fixed assets	4	-	-
Debtors - short term	5	1 738 746	1 690 211
Debtors - long term	6	790 968	796 024
Investments - external		7 600 126	7 191 758
Cash at bank		2 003 337	1 973 122
		12 133 178	**11 651 115**
3. LOANS PAYABLE			
Annuity loans		5 485 050	5 827 866
		5 485 050	5 827 866
LESS : Current portion transferred to current liabilities		-342 816	-342 816
Total loans payable		**5 142 235**	**5 485 050**

(Refer to appendix A for more detail)
Annuity loans
Bear interest of 12.422% per annum, and is redeemed in bi-annual instalments, including interest, over a period of 20 years.

Fair value impairments
Long term loans are recorded at the actual liability to loan creditors.
No impairment, if any has been recognised.

		2013	2012
		R	R
4. CONSUMER DEPOSITS			
Refuse	29	166 143	151 748
Electricity	30	988 874	947 018
		1 155 017	**1 098 766**
Guarantees held in lieu of electricity deposits		**574 450**	**495 217**
5. INVESTMENTS			**(Restated)**
Unlisted			
Shares in co-operative - Coastal Farmers	306	1 000	1 000
		1 000	**1 000**
Council's valuation of unlisted investments			
6. LOANS RECEIVABLE			
Deposits with creditors	293	658 123	653 123
		658 123	**653 123**
Housing loans	6	790 968	796 024
Less: Current portion transferred to current receivables			
Housing loans		-10 397	-5 095
Old age home		-15 349	-15 349
		-25 746	**-20 444**
Total		**765 222**	**775 580**

Housing selling scheme loans
Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing' s programme.
The loans are repayable over terms ranging from 5 to 30 years at rates varying between 11.25% and 13.5%

7. INVENTORY

		2013	2012
		R	R (Restated)
Opening balances of inventories:		**1 945 362**	**1 918 373**
Consumable stores		286 697	291 000
Stationery stores		347 225	269 587
Electrical maintenance spares		1 311 168	1 357 114
E Card replacement		272	672
Additions:		**4 020 275**	**3 282 748**
Consumable stores		1 911 914	1 823 704
Stationery stores		444 772	556 318
Electrical maintenance spares		1 658 790	900 317
E Card replacement		4 800	2 408
Issued (expenses)		**3 640 308**	**3 255 758**
Consumable stores		1 840 151	1 828 007
Stationery stores		416 361	478 680
Electrical maintenance spares		1 381 220	946 263
E Card replacement		2 576	2 808
Closing balances of inventories:		**2 325 329**	**1 945 362**
Consumable stores	37	358 460	286 697
Stationery stores	39	375 636	347 225
Electrical maintenance spares	40	1 588 738	1 311 168
E Card replacement	47	2 496	272

No impairments of the values of inventory have been written off as management considers that all stores are useable and any losses on ultimate realisation are immaterial. Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority

Unsold properties held for resale

	2013	2012
Carrying values at the beginning of the year	828 100	538 500
Property, plant and equipment	828 100	538 500
Acquisitions	160 899	
Revaluation	-	289 600
Carrying values at the end of the year	**988 999**	**828 100**
Property, plant and equipment	988 999	828 100

As at 30 June 2013 the Council held 11 lots available for sale in Eshowe, Mtunzini and Gingindlovu. During the 2012/2013 financial year, a property in Gingindlovu was purchased from Propnet. The property is recognised at cost.

	2013	2012
Total inventory	**3 314 328**	**2 773 462**

		2013	2012
		R	R
8. RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Trade receivables		23 488 430	23 536 774
Less: Allowance for doubtful debts	52	-2 095 766	-3 479 005
		21 392 664	**20 057 769**
Other receivables			
Salary suspense	45	5 493	14 930
Other sundry receivables	49	90 549	607 478
Survey suspense	51	1 109 458	1 109 458
		1 205 501	**1 731 866**
		22 598 164	**21 789 635**

Management have considered the effects of any impairment in the values of outstanding and the value of the provision for bad debts. The provision is adequate to account for any material losses expected to arise from any adjustments that are required to be made to outstanding balances

		2013	2012
Trade receivables			
Rates and penalties	200	8 001 224	9 524 727
Electricity	201	6 329 704	4 262 170
Housing		1 738 746	1 690 211
Refuse	203	1 301 164	1 292 871
Sundries	204	6 117 593	6 766 795
		23 488 430	**23 536 774**
Amounts written off as doubtful debts		2 754 078	-
As a percentage of total operating revenue		1.44%	0.00%
Number of days outstanding		68	71
Age analysis			
Rates and penalties			
Current (0 to 30 days)		2 118 716	1 734 012
31 to 60 days		284 909	597 815
61 to 90 days		201 732	347 428
91 to 120 days		172 636	291 728
121 days and over		5 223 232	6 553 744
		8 001 224	**9 524 727**

	2013	2012
	R	R
Age analysis of trade receivables (continue)		
Electricity		
Current (0 to 30 days)	6 079 520	3 136 101
31 to 60 days	31 928	440 974
61 to 90 days	20 287	272 318
91 to 120 days	15 681	100 017
121 days and over	182 287	312 760
	6 329 704	**4 262 170**
Refuse		
Current (0 to 30 days)	871 890	565 409
31 to 60 days	57 944	152 104
61 to 90 days	36 915	45 466
91 to 120 days	33 054	33 871
121 days and over	301 360	496 021
	1 301 164	**1 292 871**
Sundries		
Current (0 to 30 days)	3 792 921	4 303 749
31 to 60 days	446 996	552 774
61 to 90 days	62 535	6 604
91 to 120 days	13 816	269 463
121 days and over	1 801 325	1 634 204
	6 117 593	**6 766 795**
Housing		
Current (0 to 30 days)	10 335	1 522
31 to 60 days	7 676	8 455
61 to 90 days	7 637	7 784
91 to 120 days	7 528	7 694
121 days and over	1 705 570	1 664 755
	1 738 746	**1 690 211**

		2013 R	2012 R
Reconciliation of the doubtful debt allowance:			
Balance at beginning of the year		3 479 005	1 632 911
Contributions to allowance		1 370 840	1 846 094
		4 849 845	3 479 005
Doubtful debts written off against allowance		2 754 078	-
Balance at end of year		**2 095 766**	**3 479 005**

9. PAYABLES FROM EXCHANGE TRANSACTIONS

		2013 R	2012 R
Trade creditors	41	18 219 854	7 567 859
Deposits - other	35	84 130	97 180
Salary suspense	48	-	89 108
Retention monies	46	732 513	370 807
Unidentified direct deposits	43	475 255	407 467
Payments received in advance	42	1 764 737	675 202
Billing suspense	53	2 205	4 213
		21 278 693	**9 211 836**

VAT is payable on the receipts basis and is only due to SARS
when payments are received from debtors

10. PROPERTY RATES

	2013	2012
The last general valuation came into effect on:		
Eshowe	01/07/2011	01/07/2011
Mtunzini	01/07/2011	01/07/2011
Gingindhlovu	01/07/2011	01/07/2011
Rebates		
Municipal properties	100%	100%
Government properties	20%	20%
Pensioners	40%	40%
Residential properties with land values of R50 000 and less	100%	100%
Public Service Infrastructure	30%	30%

		2013	2012
		R	R
PROPERTY RATES (CONTINUE)			
Industrial incentives			
All undeveloped serviced industrial sites where the industrial developer has provided the full range of Municipal services		100%	100%
Industrialists are granted incentive rebates on a phased reducing basis over five years			
Actual			
Commercial		5 927 573	6 880 901
Residential		20 206 014	18 067 446
Education and state		3 042 779	2 612 737
Agriculture		2 249 970	2 696 163
Municipal		2 351 110	2 508 583
Public benefit		1 074 715	894 187
Public Service Infrastructure		4 247 471	4 320 489
Total property rates		**39 099 632**	**37 980 506**
Less: Rebates	6792	8 925 227	9 247 143
Total		**30 174 405**	**28 733 363**
Valuations			
Commercial		521 044 100	482 668 600
Residential		1 982 331 800	1 882 783 600
Education and state		245 893 600	272 269 700
Agriculture		890 068 850	873 265 550
Municipal		156 305 800	261 416 000
Public benefit		55 716 600	58 628 400
Public Service Infrastructure		2 138 485 400	2 172 812 800
Total property valuations		**5 989 846 150**	**6 003 844 650**

In terms of the provisions of Section 32 (1)(b) of the Local Government: Municipal Property Rates Act (Act No. 6 of 2004), a valuation roll remains valid for that financial year or for one or more subsequent financial years as the municipality may decide, but in total not for more than four (4) financial years.

Tenders were invited for service providers for the compilation of a new valuation roll. In terms of the Council's Supply Chain Management Policy, the Bid Committees evaluated and recommended the award of the tender to Messrs HCB Property Valuators to compile a new valuation roll which was implemented on 01 July 2011.

			2013	2012
			R	R

11. REMUNERATION OF COUNCILLORS

			2013 R	2012 R
Mayor's allowance		13	665 421	630 735
Deputy mayor's allowance	(Position vacant from 04 September 2012 to 31 October 2012)		472 029	516 402
Speaker's allowance			536 311	495 396
Chief whip's allowance			506 224	443 977
Executive committee members' allowances			2 103 794	1 997 192
Councillors' allowances			7 842 734	7 410 610
Councillors' pension and medical aid contributions			606 071	564 860
			12 732 586	**12 059 172**

The Mayor ,Deputy Mayor, Speaker and Chief whip are full time councillors, and have offices and secretarial support at the cost of the Council.
The Mayor, Deputy Mayor and Speaker has the use of Council purchased vehicles for official duties.

12. FINANCE COSTS

		2013 R	2012 R
Borrowings	64	703 257	747 330
Bank overdraft	65	5 665	22 918
Total interest on external borrowings		**708 921**	**770 249**

13. REVALUATION RESERVE

(Restated)

The revaluation surplus is reconciled as follows:

	2013 R	2012 R (Restated)
Balance at beginning of year	258 459 774	249 323 168
Surplus arising on revaluation of properties		33 882 918
Write off against revaluation of properties		-1 824 600
	258 459 774	281 381 486
Less: Depreciation recovered	10 025 888	22 921 712
Balance at end of year	**248 433 886**	**258 459 774**

		2013	2012
		R	R

14. INVESTMENT PROPERTY CARRIED AT FAIR VALUE

Investment property held by the municipality is as follows:

i) land leased for cane farming
ii) land leased to Government Departments
iii)land and buildings leased to sports associations
iv)crematorium at Eshowe cemetery
v) additional pieces of land leased by property owners
vi)old scheme house in Sunnydale

The fair value of these properties as valued by the Council's valuers, Messrs. HCB Property Valuators.

		2013	2012
Carrying values at the beginning of the year		9 400 902	8 600 802
Cost		9 400 902	8 600 802
Acquisitions		-	-
Fair value adjustment	5428	914 600	800 100
Fair value of disposals		-	-
Carrying values at the end of the year		**10 315 502**	**9 400 902**
Cost		10 315 502	9 400 902
Properties classified as investment properties at municipal value		8 122 400	8 122 400
Rental income derived from these properties amount to		1 147 930	1 197 334

15. CASH AND CASH EQUIVALENTS

(Restated)

The municipality has the following bank account:

Current account (Primary Bank Account)
First National Bank Limited, Eshowe Branch - Account
No. 52 191 090 523

		2013	2012
Bank statement balance at beginning of year		7 180 629	3 917 290
Bank statement balance at end of year		5 473 264	7 180 629
Cash book balance at beginning of year		7 496 355	4 105 810
Cash and cash equivalents consist of the following:			
Cash book balance at end of year	352	5 844 716	7 496 355
Petty cash	350	24 700	24 700
Floats	351	1 440	1 440
Short term investments	307	54 617 643	30 025 235
		60 488 499	**37 547 730**

		2013	2012
		R	R

CASH AND CASH EQUIVALENTS (CONTINUE)

The short term deposits are held at the following banks:

Absa Bank	**First National Bank (continue)**
Acc No 2 071 772 301	Acc No 62 326 365 055
Standard Bank	Acc No 62 151 319 186
Acc No 068 872 208-001	Acc No 62 262 195 514
Acc No 068 872 208-002	Acc No 74 298 900 702
Acc No 068 872 208-004	Acc No 62 124 937 246
Acc No 068 872 208-005	Acc No 62 338 173 066
Acc No 068 872 208-008	Acc No 74 372 275 097
Acc No 068 872 208-009	Acc No 62 378 736 593
Acc No 068 872 208-010	Acc No 62 024 283 038
First National Bank	Acc No 62 239 675 260
Acc No 62 299 224 594	Acc No 62 158 037 377
Acc No 62 002 158 758	Acc No 62 094 588 848
Acc No 62 120 320 081	Acc No 62 071 691 309
Acc No 74 238 125 451	Acc No 62 094 589 036

		2013	2012
Average rate of return on short term deposits		5.32%	5.55%

16. SERVICE CHARGES

		2013	2012
Sale of electricity	11	49 305 346	44 729 880
Refuse removal	20	8 194 363	7 297 352
		57 499 708	**52 027 232**

17. ACCUMULATED SURPLUS

	2013	2012 (Restated)
Accumulated surplus/ (deficit) at the beginning of the year	198 590 516	169 200 470
Operating (deficit)/ surplus for the year	32 545 470	29 796 044
Appropriations for the year :		
Prior year adjustments		-405 998
Financing of acquisitions ex reserves		
Accumulated surplus/ (deficit) before transfer to Capital Replacement Reserve, at end of year	**231 135 986**	**198 590 516**
Transfer to reserves:		
Capital replacement reserve	10 531 499	
Transfer from prior years unspent equitable share grants	3 741 351	
Transfer of unspent 2012/2013 capital equitable share grant funding	2 766 761	
Interest received on 2012/2013 investments	2 376 916	
Transfer from operating account	1 646 471	
The Council at its meeting held on 30 May 2013, approved a Funding and Reserve Policy. The first contributions are made to the Capital Replacement Reserve in the 2012/2013 financial year. The Capital Replacement Reserve is fully funded and invested.		
Accumulated surplus/ (deficit) at end of year	**241 667 485**	**198 590 516**

	2013	2012
	R	R
18. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	8 018 857	7 519 450
Intangible assets	36 952	28 691
	8 055 809	**7 548 141**

	2013	2012
19. CASH GENERATED BY OPERATIONS		
Surplus/ (deficit) for the year	32 624 090	29 796 685
Adjustments for:-		
Previous year's operating transactions	-	-405 998
Depreciation	8 055 809	7 548 141
Contribution to the Capital Replacement Reserve	4 023 386	
(Gain)/ loss on sale of assets	-121 876	-2 461 062
Fair value adjustment	-914 600	-800 100
Contributions to provisions (non-current)		
Post retirement medical benefits and long service awards	1 597 584	2 415 986
Contributions to provisions (current)		
Bad debts	1 370 840	1 846 094
Staff leave	1 381 949	1 063 810
Interest on investments	-2 905 918	-1 667 315
Finance costs	708 921	770 248
Non-operating expenditure		
Housing operating account	-4 925	-21 924
Bad debts written off	-2 754 078	-
Expenditure for leave	-1 346 374	-752 599
Expenditure for long service awards	-247 977	-320 576
Expenditure for post retirement medical benefits	-300 584	
Expenditure charged against public contributions	-212 919	-41 942
Operating surplus before working capital changes:	**40 964 208**	**36 969 448**
(Increase)/ decrease in inventories	-540 866	-855 089
(Increase)/ decrease in receivables from exchange transactions	-808 528	1 617 850
Increase/ (decrease) in unspent conditional grants and receipts	7 795 422	-974 528
Increase/ (decrease) in payables from exchange transactions	12 066 857	-2 476 303
(Increase)/ decrease in VAT receivable		2 017 821
Increase/ (decrease) in VAT payable	-123 936	-1 034 390
	18 388 949	**-1 704 639**
Cash generated by operations	**59 353 157**	**35 264 809**

	2013	2012
	R	R
20. INCREASE/ (DECREASE) IN LONG TERM LOANS (EXTERNAL)		
Loans raised	-	-
Loans repaid	-342 816	-342 816
	-342 816	**-342 816**
21. (INCREASE)/ DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments realised	178 332 338	108 004 351
Investments (invested)	-175 540 536	-106 062 364
	2 791 802	**1 941 987**
22. (INCREASE)/ DECREASE IN CASH ON HAND		**(Restated)**
Cash balance at the beginning of the year	37 547 730	21 157 044
LESS : Cash balance at the end of the year	60 488 499	37 547 730
	-22 940 769	**-16 390 686**

23. RETIREMENT BENEFITS

The municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2012 interim has been completed).

	2013	2012
<u>**Superannuation**</u>		
An interim actuarial valuation of the fund was carried out for the period ending 31 March 2012(31/03/2010) The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by: made up as follows :	135 000 000	154 800 000
For service to 31 March 2012		
for pensioners - surplus funding level 116.0% (2010: deficit funding level 119.8%)	405 000 000	368 100 000
for members - deficit funding level 93.0% (2010: deficit funding level 92.9%)	-270 000 000	-213 300 000

	2013	2012
	R	R
RETIREMENT BENEFITS (CONTINUE)		
The fund held an Investment Reserve at 31 March 2012	298 300 000	73 000 000
Conclusion		
The funding level of the fund increased from 95.9% to 96.0% (decreased from 98.8% to 95.9%) over the valuation period. The actuary disclosed at 31 March 2011 that the fund was in deficit. In terms of Section 18 of the Act, the fund was required to submit a "Scheme to Eliminate Deficiency" to the FSB. In terms of the scheme, a surcharge of 9.5% of pensionable salaries is payable for a period of 8 years with effect from 01 July 2012 to meet the deficit. The total rate of contribution required from the employer, including the surcharge, was thus 31.13% (21.63% plus 9.5%). This will be reviewed at the next interim actuarial valuation at 31 March 2013.		
Provident Fund		
The salient features of the Statutory Valuation Report on the fund as at 31 March 2012 were that the net market value of the fund's assets were not sufficient to fully cover the members' share account and to provide total reserves of	1 255 238 000	818 797 000
The liabilities of the fund did not exceed the assets, resulting in a small surplus (or unallocated assets) of	33 053 000	17 651 000
which represents 2.63% of liabilities and reserves. At the previous statutory valuation there was a deficit in the Fund. This volatility in the unallocated assets is a feature of the smoothed bonus approach followed by the Fund.		
Conclusion		
The fund has recouped the deficit by declaring smaller bonuses after the valuation date. The Actuary is satisfied that the asset composition of the fund is appropriate to the nature of the liabilities and the fund was in a sound financial condition at 31 March 2012.		
Retirement Fund		
The salient features of the statuary valuation of the fund at 31 March 2012 are:		
The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of members to that date and for pensioners by:	-83 600 000	-128 900 000
Made up as follows:		
For service to 31 March 2012		
for pensioners - funding level 115.3% (2009 : funding level 119.1%) - surplus	167 900 000	114 300 000
for members - funding level 82% (2009 : funding level 79.5%) - deficit	-251 500 000	-243 200 000
The fund was thus funded	82.00%	79.00%
The fund did not hold an investment reserve.		

		2013 R	2012 R
RETIREMENT BENEFITS (CONTINUE)			
With effect from 01 July 2000, local authorities commenced paying a surcharge equal to 2% of pensionable salaries. It was subsequently increased each year and is currently		15.35%	15.35%
and members pay		1.65%	1.65%

The previous statuary valuation as at 31 December 2009 showed a deficit in the Fund. The employers and members are paying a surcharge of 17% of pensionable salaries (for all active members at 31 December 2002), which was expected to fund the deficit over a five year period to 30 June 2015. Even though a surcharge was paid during the valuation period, the funding level has not increased by as much as was expected. This is primarily as a result of high salary increases over the valuation period and a strengthening of the valuation basis.

Conclusion

The actuary is satisfied that the self-insurance arrangement is appropriate for the fund. The assets underlying the active member liabilities were insufficient to meet these liabilities at the valuation date. The actuary recommends that the surcharge of 17% be increased to 17.5% of pensionable salaries as soon as possible after approval by the General Committee; and that the repayment period be extended from 5 to 8 years from the latter date, at which time the deficit is expected to be fully funded.

Municipal Councillors' Pension Fund

The audited financial statements for the financial years ended 30 June 2009, 2010, 2011 and 2012 have not been distributed as yet, as these audits have not been completed. Accordingly, reliable financial formation is not available to be presented.

24. GOVERNMENT GRANTS AND SUBSIDIES

		2013 R	2012 R
Equitable share grant	70	76 090 043	60 650 053
Department of Co-operative Governance and Traditional Affairs	71	4 157 690	4 370 123
Department of Minerals and Energy	114	8 130 303	
Provincial health subsidies	72	201 458	2 576 390
Provincial administration	73	1 635 964	1 551 452
uThungulu District Municipality	74	482 719	626 403
Total government grant and subsidies		**90 698 176**	**69 774 421**

Equitable share grant

	2013 R	2012 R
Opening balance	-0	-8 818 262
Equitable share grant allocation for the reporting year	-79 831 030	-69 515 000
Operating savings in 2012		-7 497 835
Capital savings in 2012		-1 092 608
Transferred to revenue	70 037 600	66 647 888
Transferred to capital funding	9 793 430	7 960 380
Unspent operating equitable share allocations in 2013	-940 440	
Unspent capital equitable share funding in 2013	-2 766 761	
Transfer to Capital Replacement Reserve (Note 51)	3 707 201	
Transferred to current allowances (Note 44)		12 315 437
Closing balance	**0**	**-0**

			2013	2012
			R	R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)				
Provincial health subsidies				
Current year receipts - included in public health vote			201 458	2 576 390
Conditions met - transferred to revenue			-201 458	-2 576 390
Conditions still to be met - transferred to liabilities			-	-
The municipality renders health services on behalf of the Provincial Government and is refunded as follows:				
Surgical sundries	100%			
Stores	100%			
Equipment	100%			
Subsistence and travel, transport and travelling	100%			
Miscellaneous	100%			
Personnel	Based on sliding scale			
The grant has been used exclusively to fund clinic services.				
The conditions of the grant have not been met.				
There are no delays or withholding of the subsidy.				
Department of Co-operative Governance and Traditional Affairs				
Current year receipts			4 157 690	4 370 123
Conditions met - transferred to revenue			-4 157 690	-4 370 123
Conditions still to be met - transferred to liabilities			-	-
Provincial administration				
Current year receipts			1 635 964	1 551 452
Conditions met - transferred to revenue			-1 635 964	-1 551 452
Conditions still to be met - transferred to liabilities			-	-
uThungulu District Municipality				
Current year receipts			482 719	626 403
Conditions met - transferred to revenue			-482 719	-626 403
Conditions still to be met - transferred to liabilities			-	

25. BULK PURCHASES

		2013	2012
Electricity	75	**35 991 959**	**31 537 202**

26. CAPITAL COMMITMENTS

	2013	2012
	R	R
26.1 Commitments in respect of capital expenditure		
Approved and contracted for	**12 680 790**	**18 385 310**
Infrastructure	12 680 790	18 385 310
Community		
Investments property		
Other		
Approved and not contracted for	**33 295 210**	**33 029 090**
Infrastructure	24 141 770	10 019 546
Community	4 250 000	17 611 144
Investments property		2 100 000
Other	4 903 440	3 298 400
Total	**45 976 000**	**51 414 400**
This expenditure will be financed from:		
Own resources	3 500 000	3 820 000
External loans		-
Government grants	42 476 000	47 594 400
District Council grants		
	45 976 000	**51 414 400**

26.2 Operating leases

Council has concluded operating lease agreements with suppliers which are required to be paid in instalments as follows:

	2013	2012
In the year ending 30 June 2013		317 865
In the year ending 30 June 2014	303 749	
Total	**303 749**	**317 865**

26.3 Finance lease liability

Council has not concluded any finance lease agreements with suppliers.

	2013	2012
	R	**R**
27. EMPLOYEE RELATED COSTS		
27.1 REMUNERATION OF KEY MANAGEMENT PERSONNEL:		
Remuneration of the Municipal Manager		
Annual remuneration	917 227	255 501
Performance bonus	57 022	144 719
Travel allowance	15 000	13 999
Contributions to UIF,Medical and Pension Funds	162 313	10 290
Group life	18 345	
	1 169 907	**424 508**
Municipal Manager appointed on 01 July 2012.		
Remuneration of the Chief Financial Officer		
Annual remuneration	619 537	554 860
Performance bonus	112 419	101 898
Travel allowance	65 000	90 000
Contributions to UIF,Medical and Pension Funds	38 606	101 580
Group life	5 427	11 097
	840 989	**859 435**
Chief Financial Officer appointed on 01 February 2013.		
Remuneration of the Director: Corporate Services		
Annual remuneration	255 852	453 046
Performance bonus	103 016	93 375
Travel allowance	50 000	126 373
Contributions to UIF,Medical and Pension Funds	744	114 760
Group life		
	409 612	**787 554**
Director: Corporate Services appointed on 01 February 2013.		
Remuneration of the Director: Protection Services		
Annual remuneration	300 223	573 218
Acting allowance	8 800	
Performance bonus	-	93 375
Travel allowance	54 000	108 000
Contributions to UIF,Medical and Pension Funds	821	1 497
Group life	6 004	11 464
	369 848	**787 554**
Position of Director: Protection Services vacant since 01 January 2013.		
Remuneration of the Director: Community Services		
Annual remuneration	550 750	124 620
Performance bonus	-	93 375
Travel allowance	-	33 794
Contributions to UIF,Medical and Pension Funds	1 338	8 328
Group life	-	34 682
	552 088	**294 799**
Director: Community Services appointed on 05 October 2012.		

		2013	2012
		R	R
27.1 REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUE):			
Remuneration of the Director: Engineering Services			
Annual remuneration		505 602	505 502
Performance bonus		103 016	93 375
Travel allowance		108 000	96 000
Contributions to UIF,Medical and Pension Funds		50 266	92 677
Group life		4 821	
		771 705	**787 554**
Remuneration of the Deputy Municipal Manager			
Annual remuneration		-	636 013
Performance bonus		-	101 898
Travel allowance		-	124
Contributions to UIF,Medical and Pension Funds		-	115 102
Group life		-	6 298
		-	**859 435**

Position of Deputy Municipal Manager not filled in 2012/2013 financial year.

27.2 EMPLOYEE RELATED COSTS

		2013	2012
Salaries and allowances	80	36 766 365	36 467 519
Contributions to UIF, group life, pensions and medical aids	81	9 928 287	8 522 882
Travel, motor car, accommodation, subsistence and other allowances	82	2 220 111	2 316 582
Housing benefits and allowances	83	132 277	142 925
Overtime payments	84	3 190 657	2 585 227
Performance bonus	85	375 473	722 016
Protective clothing	87	325 123	263 921
Workmen's' compensation	88	619 803	419 030
Skills development levy	102	463 437	434 966
Total employee related costs		**54 021 534**	**51 875 069**

There were no advances to employees

28. PROVISIONS

Provision for rehabilitation of landfill site

		2013	2012
Balance at the beginning of the year		7 532 823	8 765 506
Impairment loss			-1 232 683
Expenditure incurred		974 615	
Balance at the end of the year	300	**6 558 208**	**7 532 823**

Provision has been made for the estimated cost of rehabilitating the council's landfill site. Municipal Infrastructure Grant (MIG) funding to the amount of R9 755 401 was obtained to fund the rehabilitation. A tender was awarded on 09 April 2013 to a service provider at a tender price of R7 303 956.25 inclusive of a 10% contingency provision and 14% VAT, to commence with the rehabilitation of the landfill site.

			2013	2012
			R	R
29.	**EMPLOYEE BENEFIT OBLIGATIONS**			
	29.1 Provision for post retirement medical benefits			
	The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid allowance after retirement.			
	An actuarial valuation was carried out at 30 June 2013 and the full liability has been raised which relates to retired employees and existing employees. The main assumptions used by the actuary are:			
	Discount rate per annum		8.84%	8.03%
	Health care cost inflation rate		7.67%	7.01%
	Net effective discount rate		1.09%	0.95%
	Medical benefit inflation (long term) CPI increases		6.17%	5.26%
	Accrued liability at 30 June 2013	105	10 588 507	9 728 891
	Future - service cost		365 596	489 429
	Interest cost		920 249	770 858
	Expected benefits payments		-371 748	-273 168
	Actuarial loss/ (gain)		-	-
	Total annual expense		914 097	987 119
	Projected accrued liability at 30 June 2014		11 502 604	10 716 010
	Total liability	105	10 588 507	9 728 891
	Current portion of long term liability		-365 596	-489 429
	Long term		**10 222 911**	**9 239 462**

29.2 Provision for long-service awards

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service. An actuarial valuation was carried out at 30 June 2013 and the full liability has been raised. The main assumption used by the actuary are:

	2013	2012
Discount rate per annum	7.29%	6.48%
General salary inflation rate (long term)	6.76%	5.97%
Net effective discount rate	0.50%	0.48%
Benchmark inflation (equal to salary inflation)	5.76%	4.97%

		2013	2012
		R	R
29.2 Provision for long-service awards (continue)			
Accrued liability at 30 June 2013	106	3 087 192	2 857 440
Future - service cost		476 047	351 742
Interest cost		209 703	177 716
Expected benefits payments		-431 918	-232 212
Actuarial loss/ (gain)		-	-
Total annual expense		253 832	297 246
Projected accrued liability at 30 June 2014		3 341 024	3 154 686
Total liability	106	3 087 192	2 857 440
Current portion of long term liability		-476 047	-351 742
Long term		**2 611 145**	**2 505 698**
Total employee benefit obligations		**12 834 056**	**11 745 160**

30. CONTRIBUTIONS TO POST RETIREMENT MEDICAL BENEFITS AND LONG-SERVICE AWARDS

Post retirement medical benefits	6100	1 159 897	1 937 121
Long-service awards	6101	437 688	478 865
		1 597 584	**2 415 986**

31. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

31.1 Contributions to organised local government
South African Local Government Association (SALGA)

Opening balance		-	-
Council subscriptions:	101	470 219	353 529
Bargaining council	103	20 474	14 875
Amount paid - current year		-490 693	-368 404
Balance unpaid (included in payables)		**-**	**-**

31.2 Audit fees

Opening balance	**-**	**-**
Current year audit fees	1 520 720	-
Amount paid - current year	-1 520 720	-
Balance unpaid (included in payables)	**-**	**-**

	2013	2012
	R	R

ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)

31.3 Value added tax

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.
VAT input receivables are shown in note 7 and VAT input payables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.

31.4 PAYE and UIF

	2013	2012
Opening balance	-	-
Current year payroll deductions	7 739 393	7 380 150
Amount paid - current year	-7 739 393	-7 380 150
Balance unpaid (included in payables)	**-**	**-**

31.5 Pension and Medical Aid Deductions

	2013	2012
Opening balance	-	-
Current year payroll deductions and Council contributions	13 092 945	12 234 822
Amount paid - current year	-13 092 945	-12 234 822
Balance unpaid (included in payables)	-	-

31.6 Councillor's arrear consumer accounts

The following Councillor had an arrear account outstanding for more than 90 days as at 30 June 2013

	Total	Less than 90 days	More than 90 days
Cllr S Naicker	2 463.94	1 366.38	1 097.56
Total outstanding	**2 463.94**	**1 366.38**	**1 097.56**

Outstanding during the year of 2011/2012

	Highest amount outstanding	Ageing days
Cllr S Naicker	1 960.00	150 days
Total outstanding	**1 960.00**	

	2013 R	2012 R

32. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

32.1 Unauthorised expenditure

For the year ended 30 June 2012:
In terms of Section 15 of the Municipal Finance Management Act, the following amounts were in excess of the budgeted amount as per respective line votes:

	Budget	Actual	Variance	2013 R	2012 R
Opening balance				2 607 758	
Housing administration	146 070	207 685	61 615		
Refuse	12 049 511	12 711 311	661 800		
Swimming pool	693 405	728 070	34 665		
Electricity administration and distribution	44 062 495	45 912 173	1 849 678		2 607 758

For the year ended 30 June 2013:
In terms of Section 15 of the Municipal Finance Management Act, the following amounts were in excess of the budgeted amount as per respective line votes:

	Budget	Actual	Variance	2013 R	2012 R
The amount was approved as valid expenditure by the Executive Committee (Exco Min 106/12/13)				-2 607 758	
Operating:					
Executive and Council	44 918 133	47 222 150	2 304 017		
Corporate Services	7 885 800	7 895 863	10 063		
Public safety	18 585 500	18 697 404	111 904		
Waste management	14 892 810	15 049 379	156 569	2 582 553	
Capital:					
Sport and Recreation	3 428 000	3 760 839	332 839		
Road transport	28 237 658	29 381 268	1 143 610	1 476 449	
Closing balance				**4 059 002**	**2 607 758**

Refer Appendix E (1)

32.2 Irregular expenditure

	2013 R	2012 R
Opening balance	468 430	

Tenders were called for the contract to manage the Eshowe waste transfer station and also to transport waste to the uThungulu regional landfill site in Empangeni. The contract was awarded to Messrs Interwaste. After the award of the contract it was discovered that a tractor loader backhoe (TLB) is required as part of the operations at the waste transfer station. A TLB was not part of the original tender specifications. After discussions between the Director: Engineering Services and

	2013	2012
	R	R
32.2 Irregular expenditure (continue)		
the contractor, the contractor proceeded with the hiring of a TLB on behalf of the municipality. The proper supply chain management procedures were not followed which resulted in this being seen as irregular expenditure. The Executive Committee at its meeting held on 05 October 2011 resolved that the outstanding amount be paid to Messrs Interwaste, and that disciplinary action be instituted against the official who instructed the contactor to hire the TLB.		405 347
A grant of R500 000 was received from the Department of Co-operative Governance and Traditional Affairs for the production and marketing of groundnuts. The grant was overspend by R63 083.24 during the production process. The over expenditure is seen as irregular as it has exceeded the budget capability. The Executive Committee at its meeting held on 14 August 2012 resolved that the over expenditure as at 30 April 2012 on the groundnut project be noted.		63 083
A service provider was appointed for the resurfacing of the Sunnydale internal roads. The contractor deviated from the project specifications by not using the correct base course before surfacing. It was decided that further tests should be conducted to ensure quality standards. Messrs. Sivest were consulted for a second opinion and utilised the services of Tongaat Asphalt who were on site for the Butcher Street rehabilitation project, which is in close proximity to Sunnydale.	39 000	
Due to housing project in the Gingindlovu Ext 5, traffic calming was requested. Messrs. Sivest, who are the consultants of this project, were requested to submit preliminary design drawings. A survey of the intersection needed to be done before the design drawings could be completed. Tongaat Asphalt who had a surveyer on site for the Butcher Street project, completed the survey.	44 700	
The amount was approved as valid expenditure by the Executive Committee (Exco Min 325/12/13)	-83 700	
Closing balance	**468 430**	**468 430**
32.3 Fruitless and wasteful expenditure		
Opening balance	253 061	
During November 2011 the Finance Department received written notices to change the banking details of two service providers. Payments were effected to the two amended bank account details. It was later established that the two banking details were fraudulently changed. The two service providers with the original banking details were also paid after they lodged complaints of outstanding invoices not been paid. The two payments were made to:		
Mthiya Labour Hire		27 200
Mafahleni Consulting		16 124

	2013	2012
	R	**R**
32.3 Fruitless and wasteful expenditure (continue)		
A case of fraud has occurred in the Finance Department with funds transferred by the accountant: expenditure. The fraud took place over a period of 11 months, commencing in July 2011, however this is under investigation.		
Illegal funds transferred in 2011/2012 financial year		
Transfer to receivables for recovery - not condoned (Note 8) - Account number 9999594	-207 725	207 725
Closing balance	**47 349**	**253 061**

32.3 Fraudulent revenue loss

1. Theft of cash-Rates Hall		
Theft of cash - Rates Hall		102 191.36
Legal fees		169 100.92
		271 292.28
Received from Council's Insurance Brokers -	24/10/2008	-88 491.82
Legal fees	20/05/2009	3 676.09
Transfer to receivables for recovery - not condoned (Note 8)		**186 476.55**

2. Theft of cash-Butcher Street	
Theft of cash - Butcher street	7 651.58
Transfer to receivables for recovery - not condoned (Note 8)	**7 651.58**

Status report on incidents

1. Theft of cash-Rates Hall	**Account number**		
Court case pending		**9999763**	
	Balance 30/06/2012		186 476.49
	Legal fees		-
	Balance 30/06/2013		**186 476.49**

Court case 24 October 2011 - postponed to 16 April 2012
Court case 16 April 2012 - postponed to 04 July 2012
Court cases 04 July 2012, 12 July 2012, 13 July 2012 and 03 September 2012
Court case 03 September 2012 - postponed to 26 - 30 November 2012

2. Theft of cash-Butcher Street	**Account number**		
	Balance 30/06/2012	**9999616**	1 753.09
	Payment		
	Balance 30/06/2013		**1 753.09**

Made arrangements to settle account in instalments. Debtor did not honour the agreement. Handed over in 2010/2011

		2013	2012
		R	R
33. RECONCILIATION OF BUDGET SURPLUS/ (DEFICIT) WITH THE SURPLUS/ (DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE			
Net surplus/ (deficit) per the statement of financial performance		-2 468 783	1 491 173
Adjusted for:			
Fair value adjustments		-914 600	699 900
(Surplus)/ deficit on the sale of assets		-121 876	-1 873 562
Increases/ (decreases) in allowances		12 406 181	1 058 321
(Increases)/ decreases in revenue derived from tariffs		-89 381 232	-240 966
(Increases)/ decreases in other revenue		-8 703 451	829 366
(Increases)/ decreases in interest earned on external investments		-2 491 098	-489 217
(Increases)/ decreases in government grants and subsidies received		-90 698 176	9 362 569
Increases/ (decreases) in employee related cost		66 754 120	-1 240 530
Increases/ (decreases) in general expenses		48 981 414	-9 629 097
Increases/ (decreases) in contracted services		19 453 600	667 052
Increases/ (decreases) in other expenditure		47 240 602	-519 221
Net surplus/ (deficit) per approved budget		**56 700**	**115 790**
34. REPAIRS AND MAINTENANCE			
Buildings	6930	369 252	445 515
Electricity mains	7050	311 526	250 498
LV & HV Upgrading	7102	556 574	417 192
Electricity sub stations	7010	27 310	25 126
Fuel and oil	7180	2 284 211	1 883 713
Furniture and equipment	6950	114 996	126 973
Government grants expenditure			580 326
Grounds (Parks and gardens, Cemeteries, Refuse transfer site)	6960	50 978	155 068
Grounds (Recreation grounds)	6970	10 337	27 755
Information signs	7080	13 001	6 368
Office equipment	6900	34 546	44 014
Roads and streets	6910	742 107	677 739
Small plant and equipment	7021	105 953	110 928
Speed testing equipment	7120	9 729	20 425
Street lights	7100	206 681	189 243
Traffic signs	7110	28 323	27 688
Transport	7020	950 321	741 147
Maintenance: Air conditioners	6951	19 616	11 101
Maintenance: Little Flower School parking	9913	494 068	
Maintenance: Swimming pools	7000	1 293	-
Maintenance: Rural grounds	9914	33 640	
Maintenance: Rural halls	9915	233 204	
Maintenance: Rural sport fields	7151	-	1 247 636
Maintenance: Urban halls	7152	1 327 584	205 381
Maintenance: Urban roads	7153	2 605 284	2 815 677
Street Names	7090	6 722	-
Private Jobbing	7130	2 467	3 768
		10 539 721	**10 013 279**

		2013	2012
		R	R

35. CONTRACTED SERVICES

Contracted services for:			
Animal pound	7871	635 958	600 000
Archive storage	7856	34 404	53 918
Bank collections	7775	162 102	184 577
Cleaning : Bus rank	7830	590 187	514 189
Cleaning Contracts	7770	163 320	163 320
Computer maintenance	7845	942 501	947 253
Grass cutting	9908	1 370 738	1 206 930
Insurance	7850	617 755	530 907
Internal audit	7760	632 700	905 189
Lease: Propnet properties	7795	302 271	259 767
Lease: Radio repeater site	7873	2 632	
Lease: Weigh bridge	7857	341 375	275 000
Mailing: Monthly consumer accounts	7872	181 421	117 328
Management system: Pre paid electricity	7840	156 980	87 784
Medical waste	7810	6 458	28 380
Pauper burials	7820	1 000	9 890
Performance management			118 730
Post employment report	7860	25 000	25 000
Pre paid electricity commission	7859	276 935	121 362
Refuse removal	7835	4 775 422	4 295 616
Rental of office equipment	7855	521 669	349 390
Security: Office bearers and Council buildings	7800	4 531 177	4 013 665
Security: Sport fields	9909	478 349	506 414
Town planning	7780	381 294	424 983
Traffic violation system	7805	1 982 998	1 735 453
Valuation costs: Monthly maintenance	7785	338 955	446 186
		19 453 600	**17 921 232**

36. GRANTS AND SUBSIDIES PAID

			(Restated)
Child and Family Welfare Organisation	6705	70 000	65 000
Society for the Prevention of Cruelty to Animals	6685	110 000	105 000
uMlalazi Tourism Association	6755	180 000	175 000
Zululand Historical Museum	6380	101 070	92 450
Free refuse	9911	1 236 387	1 086 707
Free electricity	9918	1 114 470	1 048 100
		2 811 927	**2 572 257**

		2013	2012
		R	R
37. GENERAL EXPENSES			(Restated)
Included in the general expenses are the following:			
Advertising	6120	541 843	524 763
Audit fees	6150	1 520 720	1 410 628
Bank charges	9901	369 988	329 310
Bargaining Council levies	9910	20 474	14 875
Bursaries	9902	47 943	65 216
Cash handling fee: Easy pay	6852	19 005	14 813
Chemicals	6180	23 947	5 042
Civic expenses	6190	199 537	120 547
Cleaning materials	9903	87 046	88 559
Conference and delegations	6230	20 652	51 525
Contribution to Capital Replacement Reserve	7415	4 023 386	
Council's communication (Annual report,IDP and Quarterly newspaper)	9904	109 704	174 933
Electricity: Other accounts	6311	544 519	436 197
Entertainment allowances	6335	104 167	85 660
Finance Management Grant	9905	1 457 302	972 942
Furniture removal cost: Staff	6711	-	13 600
Government grants expenditure	9906	28 838 687	13 116 789
Grants and subsidies paid		2 811 927	2 572 257
Housing Administration	6390	-	16 270
Legal expenses	6470	1 294 465	968 496
Library: Purchasing of new books	6490	13 116	13 779
License fees	6630	31 238	38 578
Loose Tools	6500	21 921	55 772
Medical supplies	6530	48 607	165 724
Membership fees (SALGA)	6730	470 219	353 529
Periodicals and publications	6570	47 818	22 866
Postage	6590	42 770	85 198
Printing and stationary	6600	444 490	555 558
Publicity	6620	44 473	47 433
Redundant stock	6640	25 267	
Refuse bin liners	6650	659 952	458 894
Rental of buildings	6431	39 770	39 200
Road marking	6540	82 600	98 547
SABS: 3% charge	6680	61 766	41 549
Subscriptions	9912	6 535	6 192
Subsistence and travel: Staff	405	653 021	867 321
Subsistence and travel: Councillors	406	411 183	
Telephone costs	6750	931 928	1 054 250
Trees and shrubs	6780	12 716	
Traffic: Ammunition and training	6130	13 695	
Training	6710	309 394	425 951
Ward committees	9916	928 207	21 355
Water and sanitation costs	6850	1 392 120	787 723
Weed eradication	6840	250 026	75 595
Other	9917	3 269	11 944
		48 981 414	**26 209 379**

		2013	2012
		R	R

38. RENTAL OF FACILITIES AND EQUIPMENT

Included in the rental of facilities are the following:

Community halls/ Sports Club	5410	121 908	130 597
Land for sugar cane	5190	1 391 339	1 183 148
Staff houses	5465	57 822	72 920
Sunnydale house			6 310
Other rentals	5200	136 049	122 801
		1 707 118	**1 515 776**

39. INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	5310	2 491 098	1 139 217
		2 491 098	**1 139 217**

40. LICENCES AND PERMITS

Trade licences	5260	3 134	4 035
Testing station fees	5270	2 154 933	2 060 141
Registration of vehicles	5280	1 226 211	1 244 993
Rank permits	5520	5 219	8 597
		3 389 497	**3 317 766**

41. OTHER INCOME

Included in the other income are the following:

Building plan fees	5210	223 096	179 218
Burial fees	5005	149 097	142 403
Caravan park entrance fees	402	6 634	14 960
Commission on stop orders	5080	29 516	27 468
Electricity connection fees	5220	334 095	217 567
Encroachment fees	5300	37 899	34 309
Garden refuse removal	5205	58 220	64 463
Housing administration fees and Insurance	5450	66 888	57 174
Photocopying	5265	185 733	192 393
Pre paid electricity sales administration fees	5555	24 777	134 790
Profit on E-card sales	5045	14 098	12 385
Rates clearance certificates	5070	32 350	28 390
SETA refund on staff training costs	5420	260 572	304 058
Swimming pool fees	404	5 785	-
Sundry	5075	185 233	121 532
Town planning	5275	156 360	18 719
Use of refuse transfer station	5207	75 017	113 425
		1 845 370	**1 663 254**

		2013	2012
		R	R

42. GAIN/ (LOSS) ON SALE OF ASSETS

Property, plant and equipment	5293	121 876	2 461 062
Intangible assets		-	-
Investment property		-	-
Other financial assets		-	-
		121 876	**2 461 062**

43. CONTRIBUTIONS TO STAFF LEAVE

Balance at beginning of year		2 808 550	2 497 339
Contributions to allowance	7400	1 381 949	1 063 810
Commuting of staff leave against allowance		1 346 374	752 599
Balance at end of year		**2 844 125**	**2 808 550**

44. EMPLOYEE BENEFITS

Current portion of post retirement medical benefits		365 596	489 429
Current portion of long service awards and retirement gifts		476 047	351 742
Contributions for staff leave		2 844 125	2 808 550
Unspent unconditional grants	407	-	12 341 708
		3 685 768	**15 991 428**

45. ELECTRICITY LOSSES

Purchase of electricity (kilowatt hours)	55 324 489	55 722 760
Sale of electricity (kilowatt hours)	48 339 543	47 060 870
Kilowatt hour losses	6 984 946	8 661 890
Percentage losses	12.63	15.54
Rand value of electricity losses (8 661 890 kWh x 0.99)		8 575 271.10
Rand value of electricity losses (6 984 946 kWh x 1.01)	7 054 795.46	

Electricity losses are caused by the following:
1) Street lights consumptions that are not metered
2) Municipal buildings consumptions that are not metered
3) Tampering with electricity installations
4) Other technical losses

		2013	2012
		R	R

46 CORRECTIONS OF PRIOR YEAR ERRORS

46.1

With the balancing of the asset register in the 2012/2013 financial year, it was discovered that there was a formula error in the property group of assets in the 2011/2012 financial year. This formula error caused that the properties were understated by R18 187 862.00 in the 2011/2012 financial year. In order to rectify this error, the opening balances of properties are restated.

In 2012, the municipality reported:

Appendix B: Analysis of property,plant and equipment

Properties	
Cost/Revaluation	
Opening balance	120 385 104
Revaluation	15 405 456
Disposals	-1 824 600
Closing balance	133 965 960
Accumulated depreciation	
Opening balance	6 573 488
Additions	2 440 172
Disposals	
Closing balance	9 013 660
Carrying value	**124 952 300**

APPENDIX B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT (EXTRACT)	2013	**(Restated)**
Properties		
Cost/Revaluation		
Opening balance	152 153 822	120 385 104
Revaluation		33 593 318
Disposals		-1 824 600
Closing balance	152 153 822	152 153 822
Accumulated depreciation		
Opening balance	9 055 409	6 573 488
Additions	2 481 785	2 481 921
Disposals		
Closing balance	11 537 194	9 055 409
Carrying value	**140 616 629**	**143 098 413**

STATEMENT OF CHANGES IN NET ASSETS (EXTRACT)	2013	**(Restated)**
Opening revaluation reserve as previously reported	258 459 774	249 323 168
Surplus arising on revaluation of properties		33 841 169
Offsetting of depreciation	-10 025 888	-22 879 963
Write off against revaluation of properties		-1 824 600
Closing revaluation reserve (Also refer to Note 13)	**248 433 886**	**258 459 774**

		2013	2012
		R	R
CORRECTIONS OF PRIOR YEAR ERRORS (CONTINUE)			
46.2 Investments (Refer Note 5)			
Balance at 30 June 2012 on 2011/2012 Financial Statements			30 026 235
Moved short term deposits to cash and cash equivalents			-30 025 235
			1 000
46.3 Loans receivable (Refer Note 6)			
Balance at 30 June 2012 on 2011/2012 Financial Statements			1 456 840
Show amounts separately as follows:			
Deposits with creditors			**653 123**
Housing loans			796 024
Less: Current portion			-20 444
			775 580
46.4 Inventory (Refer Note 7)			
Balance at 30 June 2012 on 2011/2012 Financial Statements			1 945 362
Moved non-current assets held for sale to inventory			828 100
			2 773 462
46.5 Payables from exchange transactions (Refer Note 9)			
Balance at 30 June 2012 on 2011/2012 Financial Statements			9 724 551
Value added taxation not recognised as exchange transaction - moved to separate note 50			-512 715
			9 211 836
46.6 Cash and cash equivalents (Note 15)			
Balance at 30 June 2012 on 2011/2012 Financial Statements			7 522 495
Moved short term deposits from investments (Note 5)			30 025 235
			37 547 730
46.7 Cash generated by operations (Note 19)			
Balance at 30 June 2012 on 2011/2012 Financial Statements			23 039 748
Increased surplus for the year as a result that capital transfers recognised was moved to the face of the Statement of Financial Performance			28 305 512
Moved income credited to reserves to the face of the Cash Flow Statement			-15 132 938
Increased inventory due to transfer of unsold properties held for sale			-828 100
Moved increase in consumer deposits to the face of the Cash Flow Statement			-119 415
			35 264 809
46.8 (Increase)/ decrease in cash on hand (Note 22)			
In 2012 the municipality reported:			
Balance at 30 June 2011 of cash and cash equivalents on 2010/2011 Financial Statements			4 131 950
Balance at 30 June 2012 of cash and cash equivalents on 2011/2012 Financial Statements			7 522 495
			-3 390 545
Short term deposits moved to cash and cash equivalents:			
			(Restated)
Balance at 30 June 2011 of cash and cash equivalents on 2010/2011 Financial Statements			4 131 950
Moved short term deposits of the 2010/2011 financial year to cash and cash equivalents			17 025 094
	New balance		21 157 044
Balance at 30 June 2012 of cash and cash equivalents on 2011/2012 Financial Statements			7 522 495
Moved short term deposits of the 2011/2012 financial year to cash and cash equivalents			30 025 235
	New balance		37 547 730
			-16 390 686

CORRECTIONS OF PRIOR YEAR ERRORS (CONTINUE)

	2013 R	2012 R
46.9 General expenses (Note 37)		
Balance at 30 June 2012 on 2011/2012 Financial Statements		35 456 523
Moved rebate on rates to property rates revenue to net off revenue		-9 247 143
		26 209 379
46.10 Unspent conditional grants and receipts (Note 54)		
Balance at 30 June 2012 on 2011/2012 Financial Statements		5 927 275
Moved donations and public contributions from Statement of Changes in Net Assets		2 477 373
		8 404 648

46.11 Summary of changes to Statement of Financial Position

During the year various prior year adjustments were made to the Statement of Financial Position. The following is a summary of all the movements in the prior year balances:

	2013 R	2012 R
Changes to Net assets:		
Balance at 30 June 2012 on 2011/2012 Financial Statements		**453 032 664**
ASSETS:		
Current assets:		**800 100**
Inventory (Refer note 46.4)		800 100
Non-current assets:		**17 346 013**
Property, plant equipment (Refer note 46.1)		18 146 113
Property, plant equipment (Refer note 46.4)		-800 100
Total assets:		**18 146 113**
LIABILITIES:		
Current liabilities:		**2 477 373**
Unspent conditional grants and receipts (Refer note 46.10)		2 477 373
Total liabilities:		**2 477 373**
Net assets:		**468 701 404**
Changes to total Net assets:		
Balance at 30 June 2012 on 2011/2012 Financial Statements		**453 032 664**
NET ASSETS:		
Revaluation reserve (Refer note 46.1)		18 146 113
Revaluation reserve (Refer note 46.10)		-2 477 373
Total net assets:		**468 701 404**

		2013	2012
		R	R

47. CONTINGENT LIABILITY

Hereunder follows possible liability claims where the outcome was unknown at year end:

47.1 Cancellation of agreement dispute.	**800 000.00**

Messrs Masibambisane Business Enterprise was appointed as a contractor for waste management (litter collection, street cleaning and refuse collection) in Mtunzini. Due to non-performance by the contractor, the agreement was cancelled. The contractor is opposing the cancellation of the agreement. After Messrs Masibambisane Business Enterprise obtained judgement against the municipality, an application for leave to appeal was successfully lodged. The attorneys are now proceeding to set the matter down for the hearing of the appeal.

47.2 Judgement by default against the municipality.	**20 000.00**

Messrs Leomat Construction obtained judgement by default against the municipality, for the non-payment of a payment certificate for the construction of infrastructure at Naickerville. The contractor has since been paid the capital amount of its claim and negotiations are underway for the rescission of the judgement. Leomat is insisting on being compensated for costs incurred and interest.

48. DISCONTINUED OPERATIONS

The municipal clinics have been taken over by the Department of Health with effect from 01 August 2012. This means that the municipality has discontinued the operations of the municipal clinics with effect from that date. The assets and liabilities of the municipal clinics are set out below.

	2013	2012
Surplus/(Deficit) of discontinued operation		
	-201 458	-4 189 160
Revenue	613 417	4 012 283
Expenditure		
	411 960	**-176 877**
Assets of discontinued operation - Municipal Clinics		
Property, plant and equipment	**503 914**	**537 076**

49. INTANGIBLE ASSETS

	2013	2012
Carrying values at the beginning of the year	46 425	48 646
Cost	1 013 241	986 771
Accumulated depreciation	-966 816	-938 125
Additions	53 897	26 470
Depreciation	-36 952	-28 691
Carrying values at the end of the year	**63 371**	**46 427**
Cost	1 067 138	1 013 241
Accumulated depreciation	-1 003 768	-966 816

Itangible assets are initially recognised at cost and are carried at cost less depreciation.

The municipality does not have any internally generated intangible assets.

		2013	2012
		R	R
50. VALUE ADDED TAXATION			**(Restated)**
Value added taxation - receivable	44	490 740	-
Value added taxation - payable	55	-879 519	-512 715
		-388 779	**-512 715**

51. DEVIATION FROM SUPPLY CHAIN MANAGEMENT

The following deviations and ratifications of minor breaches of procurement processes are reported to Council in terms of Section 36(2) of the Supply Chain Management Policy:

<u>Closed quotations/ tenders:</u> (June 2012 to July 2013)

Month	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000	Total
July	38 241.24	88 966.78	97 059.60		**224 267.62**
August	25 269.55	114 368.22	64 706.40	111 000.00	**315 344.17**
September	68 591.80	87 453.00	63 498.00		**219 542.80**
October	17 928.43		282 177.60	278 682.00	**578 788.03**
November	70 464.63		51 528.00	152 436.00	**274 428.63**
December	52 511.55				**52 511.55**
January	74 392.29	98 993.20	106 542.82		**279 928.31**
February	27 692.69	87 999.96			**115 692.65**
March	19 878.95				**19 878.95**
April	6 350.00	52 326.00	108 396.00	371 265.28	**538 337.28**
May	33 908.70	84 279.00			**118 187.70**
June	47 060.67	113 422.00			**160 482.67**
Total	**482 290.50**	**727 808.16**	**773 908.42**	**913 383.28**	**2 897 390.36**

The above-mentioned deviations from the Supply Chain Management processes has been condoned in terms of the approved policy. **(Refer to Appendix G for more detail)**

52. FINANCIAL RISK MANAGEMENT

Risk and exposure are disclosed as follows:

52.1 Credit risk exposure

	2013	2012
Cash and cash equivalents (Refer to notes below)	60 488 499	37 547 730
Maximum credit exposure	**60 488 499**	**37 547 730**

Note 1: The risk relating to short term deposits is minimised due to the nature of the municipal finance structure.
Note 2: The risk relating to cash and cash equivalents is minimised as the municipality only deposits cash with major banks with high quality credit standing.

52.2 Liquidity risk

	2013	2012
Consumer deposits	1 155 017	1 098 766
Payables from exchange transactions	21 278 693	9 211 836
VAT payable	388 779	512 715
Unspent conditional grants and receipts	16 200 069	8 404 648
Loans payable	342 816	342 916
Employee benefits	3 685 768	15 991 428
	43 051 142	**35 562 309**

	2013	2012
	R	R
52.2 Liquidity risk (continue)		
Current assets	83 112 410	59 357 809
Current liabilities	43 051 142	35 562 309
Current assets as a percentage of current liabilities	193%	167%
Current assets to current liabilities ratio	1.9:1	1.7:1

The generally accepted norm for this ratio is 1.5:1. The higher the ratio, the more liquid the municipality, and the better chances of meeting short term debt with short term liquid resources.

52.3 Interest risk

Management has assed the impact of interest rate risk on the operations of the municipality and considers **the risk to be negligible.**

52.4 Market risk

Owing to legislative restrictions, the municipality has no exposure to market risk.

53. EXPLANATIONS OF VARIANCES ON STATEMENTS OF BUDGET AND ACTUAL AMOUNTS

53.1 Statement of Financial Position

53.1.1 Inventory
Increased inventory due to transfer of unsold properties held for sale to inventory.

53.1.2 Receivables from exchange transactions
Effective credit control caused that the outstanding debtors are lower than planned.

53.1.3 Cash and cash equivalents
Improved cash management caused that the funds that were invested at year end, were much higher than anticipated.

53.1.4 Property, plant and equipment
The planned amount for property, plant and equipment was not realistic.

53.1.5 Payables from exchange transactions
There were a number of large amount invoices submitted in July 2013, and there was a significant increase in the payments in advance for debtors.

53.1.6 VAT payable
The amount payable at year end is much lower than planned.

53.1.7 Unspent conditional grants and receipts
R5.2 million on the Municipal Infrastructure Grant and R6.9 million on the Integrated National Electrification Grant unspent at year end. Applications to roll over these funds were submitted to National Treasury.

	2013	2012
	R	R

EXPLANATIONS OF VARIANCES ON STATEMENTS OF BUDGET AND ACTUAL AMOUNTS (CONTINUE)

53.1.8 Employee benefits
The staff of the municipality commuted leave to the value of R1.3 million which caused a higher expenditure than planned.

53.1.9 Provisions
The expenditure on the rehabilitation of the municipal landfill site is lower than anticipated.

53.1.10 Employee benefit obligations
The actuarial valuations received for post-employment medical aid and long service awards revealed that more provisions had to be made to these two obligations.

53.1.11 Revaluation reserve
A prior year error caused that an adjustment had to be done against the reserve.

53.1.12 Accumulated surplus
Increased surplus for the year as a result that capital transfers recognised was moved to the face of the Statement of Financial Performance

53.2 Statement of Financial Performance

53.2.1 Property rates
Due to a court case between the Ethekweni Metro and the Engonyama Trust, which was in favour of the Engonyama Trust, the accounts raised for the trust land in the municipal area were reversed.

53.2.2 Government grants and subsidies - operational
The under spending on the Integrated National Electrification Grant and MIG administration cost caused that the full grants could not be recognised as revenue.

53.2.3 Fines
Under recovery of outstanding traffic fines.

53.2.4 Service charges
Less prepaid electricity was sold than planned.

53.2.5 Interest earned - external investments
Effective cash management of grants received caused the increased interest.

53.2.6 Employee related costs
Senior posts such as the Deputy Municipal Manager, Town planner and Manager: Performance Management were vacant in the financial year.

53.2.7 General expenses
Integrated national electrification programme grant not fully spend.

	2013	2012
	R	R

EXPLANATIONS OF VARIANCES ON STATEMENTS OF BUDGET AND ACTUAL AMOUNTS (CONTINUE)

53.2.8 Transfers recognised - capital
The under spending of the Municipal Infrastructure Grant projects to the amount of R5.2 million could not be recognised as revenue.

53.3 Cash Flow Statement

Cash flows from operating activities:

53.3.1 Receipts from consumers and other
The percentage payment rate on outstanding debtor accounts much higher than planned.

53.3.2 Government - operating
The under spending on the Integrated National Electrification Grant and MIG administration cost caused that the full grants could not be recognised as revenue.

53.3.3 Government - capital
The percentage spending on capital projects less than planned.

53.3.4 Interest income
Effective cash management of grants received caused the increased interest.

53.3.5 Suppliers
Less amounts paid to suppliers than planned.

53.3.6 Employee costs
Senior posts such as the Deputy Municipal Manager, Town planner and Manager: Performance Management were vacant in the financial year.

Cash flows from investing activities:

53.3.7 Purchase of Property, Plant and Equipment
An amount of R3.5 million on taxi rank business development and purchase of Propnet properties not spend.

Cash flows from financing activities:

53.3.8 (Increase)/ decrease in investments
This line item was not part of the budgeted cash flow document.

53.3.9 Net increase/ (decrease) in cash and cash equivalents
The short term deposits did not form part of the budget document when the budget was planned.

53.3.10 Cash and cash equivalents at the beginning of the year
The short term deposits did not form part of the budget document when the budget was planned.

PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying value

	Properties	Community assets	Vehicles	Roads	Storm water	Electrical	Toolbox	Total
Carrying values at 01 July 2012	**143 098 413**	**52 657 949**	**5 095 849**	**189 082 708**	**23 125 315**	**39 797 895**	**3 160 214**	**456 018 344**
Cost	152 153 822	60 480 469	13 662 681	361 404 693	82 018 168	67 161 840	10 638 164	747 519 838
Cost	152 153 822	60 480 469	13 662 681	361 404 693	82 018 168	67 161 840	10 638 164	747 519 838
Revaluation								
Accumulated depreciation	-9 055 409	-7 822 521	-8 566 832	-172 321 981	-58 892 853	-27 363 944	-7 477 949	-291 501 489
Cost	-9 055 409	-7 822 521	-8 566 832	-172 321 981	-58 892 853	-27 363 944	-7 477 949	-291 501 489
Revaluation								-
Under construction	-	1 209 832		6 023 839				7 233 670
Acquisitions	-	4 947 612	2 753 792	13 669 567	3 018 104	357 750	1 636 137	26 382 962
Increases/ (decreases) in revaluation	-							-
Depreciation	-2 481 785	-1 565 046	-1 110 471	-8 325 570	-1 405 439	-1 722 128	-1 116 990	-17 727 428
Based on cost	-2 481 785	-1 565 046	-1 110 471	-8 325 570	-1 405 439	-1 722 128	-1 116 990	-17 727 428
Based on revaluation								-
Carrying value of disposals								
Cost/ revaluation	-	-	-176 360			-611 112	-124 617	-912 089
Accumulated depreciation	-	-	176 360			293 796	124 617	594 773
Impairment losses		-						-
Fair value adjustment								-
Carrying values at 30 June 2013	**140 616 629**	**57 250 347**	**6 739 170**	**200 450 544**	**24 737 980**	**38 116 202**	**3 679 361**	**471 590 232**
	152 153 822	66 637 913	16 240 113	381 098 099	85 036 273	66 908 478	12 149 684	780 224 381
Cost	152 153 822	66 637 913	16 240 113	381 098 099	85 036 273	66 908 478	12 149 684	780 224 381
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-11 537 193	-9 387 567	-9 500 943	-180 647 551	-60 298 292	-28 792 276	-8 470 322	-308 634 144
Cost	-11 537 193	-9 387 567	-9 500 943	-180 647 551	-60 298 292	-28 792 276	-8 470 322	-308 634 144
Revaluation								
Carrying values at 30 June 2013	**140 616 629**	**57 250 347**	**6 739 170**	**200 450 544**	**24 737 980**	**38 116 202**	**3 679 361**	**471 590 233**

PROPERTY, PLANT AND EQUIPMENT	(Restated) Properties	Community assets	Vehicles	Roads	Storm water	Electrical	Toolbox	(Restated) Total
Reconciliation of carrying value								
Carrying values at 01 July 2011	**113 811 616**	**51 275 919**	**5 726 836**	**190 131 957**	**27 089 737**	**40 984 216**	**2 323 160**	**431 343 440**
Cost	120 385 104	57 681 151	13 336 110	345 806 081	79 831 993	66 609 204	9 178 832	692 828 476
Cost	120 385 104	57 681 151	13 336 110	345 806 081	79 831 993	66 609 204	9 178 832	692 828 476
Revaluation								
Accumulated depreciation	-6 573 488	-6 405 232	-7 609 274	-155 674 125	-52 742 256	-25 624 989	-6 855 672	-261 485 036
Cost	-6 573 488	-6 405 232	-7 609 274	-155 674 125	-52 742 256	-25 624 989	-6 855 672	-261 485 036
Revaluation								-
Under construction	-	1 500 790		13 603 635				15 104 425
Acquisitions	-	2 531 772	432 251	1 994 976	2 186 175	552 636	1 829 237	9 527 047
Increases/ (decreases) in revaluation	33 593 318							33 593 318
Depreciation	-2 481 921	-1 417 474	-1 063 238	-16 647 856	-6 150 597	-1 738 955	-941 120	-30 441 162
Based on cost	-2 481 921	-1 417 474	-1 063 238	-16 647 856	-6 150 597	-1 738 955	-941 120	-30 441 162
Based on revaluation								
Carrying value of disposals								
Cost/ revaluation	-1 824 600	-562	-105 680				-369 905	-2 300 747
Accumulated depreciation	-	186	105 680				318 843	424 709
Reclassified as non-current assets held for sale	-							-
Impairment losses		-1 232 683						-1 232 683
Fair value adjustment								-
Carrying values at 30 June 2012	**143 098 413**	**52 657 948**	**5 095 849**	**189 082 709**	**23 125 315**	**39 797 896**	**3 160 214**	**456 018 344**
	152 153 822	60 480 468	13 662 681	361 404 692	82 018 168	67 161 840	10 638 164	747 519 836
Cost	118 560 504	60 480 468	13 662 681	361 404 692	82 018 168	67 161 840	10 638 164	713 926 518
Revaluation	33 593 318	-	-	-	-	-	-	33 593 318
Accumulated depreciation	-9 055 409	-7 822 520	-8 566 832	-172 321 981	-58 892 853	-27 363 944	-7 477 949	-291 501 489
Cost	-9 055 409	-7 822 520	-8 566 832	-172 321 981	-58 892 853	-27 363 944	-7 477 949	-291 501 489
Revaluation					-			
Carrying values at 30 June 2012	**143 098 413**	**52 657 948**	**5 095 849**	**189 082 709**	**23 125 315**	**39 797 896**	**3 160 214**	**456 018 344**

UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	GR	**Balance unspent at 30/06/2013**	Received during 2013	Interest earned 2013	Conditions met transferred to revenue	**(Restated) Balance unspent at 30/06/2012**	Received during 2012	Interest earned 2012	Conditions met transferred to revenue	**Balance unspent at 30/06/2011**
		R	R	R	R	R	R	R	R	R
DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS										
Establishment of Animal Pound	54	0			-1 067 708	1 067 708		58 030	-3 933	1 013 611
		0	**-**	**-**	**-1 067 708**	**1 067 708**	**-**	**58 030**	**-3 933**	**1 013 611**
NATIONAL TREASURY										
Municipal Systems Improvement Grant	15	0	800 000		-800 000	0	790 000	20 462	-1 339 901	529 439
Municipal Infrastructure Grant	35	5 163 801	27 031 000		-24 986 426	3 119 227	22 284 000	192 087	-23 177 875	3 821 015
Financial Management Grant	44	0	1 500 000		-1 500 000	0	1 450 000	33 269	-1 766 863	283 594
Expanded public works programme integrated grant		19 370	1 000 000		-980 630					
		5 183 171	**30 331 000**	**-**	**-28 267 056**	**3 119 227**	**24 524 000**	**245 819**	**-26 284 639**	**4 634 048**
DEPARTMENT OF HUMAN SETTLEMENTS										
Sunnydale Low Cost Housing	51	1 598 922	367 629		-250 800	1 482 093	633 819		-285 059	1 133 333
Gingindlovu Low Cost Housing		-0	3 984 024		-3 984 024					
		1 598 922	**4 351 653**	**-**	**-4 234 824**	**1 482 093**	**633 819**	**-**	**-285 059**	**1 133 333**
DEPARTMENT OF ARTS AND CULTURAL										
Community library services grant	50	152 390	214 800	6 359	-203 944	135 175	206 478	4 271	-189 937	114 363
		152 390	**214 800**	**6 359**	**-203 944**	**135 175**	**206 478**	**4 271**	**-189 937**	**114 363**
UTHUNGULU DISTRICT MUNICIPALITY										
Capacity Building	30	-				-				
Note book: Environmental Health Staff	30	-				-				
Information signs: Heritage - Route 66		-0			-6 449	6 449				6 449
		-0	**-**	**-**	**-6 449**	**6 449**	**-**	**-**	**-**	**6 449**
DEPARTMENT OF MINERALS AND ENERGY										
Integrated national electrification programme grant		6 869 697	15 000 000		-8 130 303	-			-	-
		6 869 697	**15 000 000**	**-**	**-8 130 303**	**-**	**-**		**-**	**-**
DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES										
Greenest Municipality Grant	53	21 659		1 896	-96 860	**116 623**	400 000	7 491	-290 868	
		21 659	**-**	**1 896**	**-96 860**	**116 623**	**400 000**	**7 491**	**-290 868**	
Unspent conditional grants		**13 825 838**	**49 897 453**	**8 255**	**-42 007 144**	**5 927 275**	**25 764 296**	**315 610**	**-27 054 437**	**6 901 803**
DONATIONS AND PUBLIC CONTRIBUTIONS										
Electrical network upgrade		314 163	13 345	20 571	-212 282	**492 528**	54 577	18 096	-5 576	425 432
Dorothy Irons bursary fund		15 539		624		**14 915**		607		14 308
Indigent support		233 173	355	9 527	-137	**223 428**		9 854	-36 366	249 941
SMME Establishment		1 811 357		64 855		**1 746 502**		73 502		1 673 000
Library events		-	500		-500					
Unspent donations and public contributions		**2 374 231**	**14 200**	**95 577**	**-212 919**	**2 477 373**	**54 577**	**102 058**	**-41 942**	**2 362 680**
UNSPENT CONDITIONAL GRANTS AND RECEIPTS		**16 200 069**	**49 911 653**	**103 831**	**-42 220 063**	**8 404 648**	**25 818 873**	**417 668**	**-27 096 379**	**9 264 483**

APPENDIX A

uMLALAZI MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2013

EXTERNAL LOANS	Loan	Interest rate	Maturity date	Balance at 30/06/2012 R	Received during the period R	Redeemed written off during the period R	Balance 30/06/2013 R	Carrying Value of Property Plant & Equipment R	Other Costs in Accordance with the MFMA R
Annuity Loans									
Development Bank of South Africa	Industrial Area	12.42%		5 827 866	-	342 816	5 485 050		
TOTAL EXTERNAL LOANS				**5 827 866**	**-**	**342 816**	**5 485 050**		

APPENDIX B

uMLALAZI MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2013

		Cost / Revaluation								Accumulated Depreciation				
	Opening Balance (Restated) 30/06/2012	**Under Construction 2012/2013**	**Additions 2012/2013**	**Revaluation 2012/2013**	**Fair Value Adjustment 2012/2013**	**Impairment losses 2012/2013**	**Disposals 2012/2013**	**Closing Balance 30/06/2013**	**Opening Balance (Restated) 30/06/2012**	**Additions 2012/2013**	**Disposals 2012/2013**	**Closing Balance 2012/2013**	**Carrying Value 2012/2013**	**Carrying Value (Restated) 30/06/2012**
	R	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**
Properties	152 153 822							152 153 822	-9 055 409	-2 481 785		-11 537 193	**140 616 629**	**143 098 413**
Community assets	60 480 469	1 209 832	4 947 612					66 637 914	-7 822 521	-1 565 046		-9 387 567	**57 250 347**	**52 657 949**
Vehicles	13 662 681		2 753 792				-176 360	16 240 113	-8 566 832	-1 110 471	176 360	-9 500 943	**6 739 170**	**5 095 849**
Roads	361 404 693	6 023 839	13 669 567		-		-	381 098 099	-172 321 981	-8 325 570	-	-180 647 551	**200 450 544**	**189 082 708**
Earthworks & information	84 158 097		3 298 691					87 456 788	-33 511 462	-1 148 496		-34 659 958	52 796 830	50 646 635
Road structural layer	104 383 257	6 023 839	5 644 338					116 051 434	-68 550 935	-2 294 887		-70 845 822	45 205 612	35 832 322
Road surface	54 684 945		3 124 774					57 809 719	-51 216 124	-2 757 938		-53 974 062	3 835 657	3 468 821
Super structure: Bridges	2 380 297							2 380 297	-882 787	-57 449		-940 236	1 440 061	1 497 510
Footpaths	2 775 053		246 196					3 021 249	-708 131	-127 991		-836 122	2 185 128	2 066 922
Kerbs	33 542 836							33 542 836	-16 330 829	-1 596 365		-17 927 194	15 615 640	17 212 005
Road reserve: Land	69 502 363							69 502 363				-	69 502 363	69 502 363
Mini roundabout	733 430							733 430	-311 744	-24 448		-336 192	397 239	421 685
Speed humps	217 928		41 350					259 278	-42 997	-12 490		-55 487	203 791	174 931
Causeways	9 026 487		1 314 217					10 340 704	-766 972	-305 507		-1 072 479	9 268 224	8 259 514
Storm water	82 018 168		3 018 104					85 036 273	-58 892 853	-1 405 439		-60 298 292	**24 737 980**	**23 125 315**
Channels	26 775 792							26 775 792	-25 971 152	-89 565		-26 060 717	715 075	804 640
Culverts	8 320 027							8 320 027	-5 685 350	-138 667		-5 824 017	2 496 010	2 634 677
Kerb inlets	7 847 400		540 140					8 387 540	-4 461 620	-408 211		-4 869 831	3 517 709	3 385 780
Masonary structures	2 529 000		476 404					3 005 404	-1 314 540	-55 475		-1 370 015	1 635 389	1 214 460
Pipes	27 208 423		1 869 215					29 077 638	-17 018 408	-556 302		-17 574 710	11 502 928	10 190 015
Concrete structures	9 337 525		132 345					9 469 870	-4 441 783	-157 219		-4 599 002	4 870 868	4 895 742
Electrical	67 161 840	-	357 750		-		-611 112	66 908 478	-27 363 944	-1 722 128	293 796	-28 792 277	**38 116 202**	**39 797 895**
Electrical cables	15 329 063							15 329 063	-5 332 928	-325 130		-5 658 058	9 671 005	9 996 135
Mini substations	9 865 726		299 876					10 165 602	-4 000 724	-318 614		-4 319 338	5 846 264	5 865 002
Robot equipment	343 273		17 060					360 333	-116 475	-15 753		-132 228	228 105	226 798
Streetlights	2 191 556		40 814					2 232 370	-874 928	-129 077		-1 004 005	1 228 365	1 316 628
Transformers	39 432 223						-611 112	38 821 111	-17 038 890	-933 553	293 796	-17 678 647	21 142 464	22 393 332
Toolbox	10 638 164		1 636 137				-124 617	12 149 684	-7 477 949	-1 116 990	124 617	-8 470 322	**3 679 361**	**3 160 214**
Property, plant and equipment(Note 52)	747 519 836	7 233 670	26 382 962	-	-	-	-912 089	780 224 380	-291 501 489	-17 727 428	594 773	-308 634 145	**471 590 233**	**456 018 344**
Investment properties (Note 14)	9 400 902				914 600			10 315 502				-	**10 315 502**	**9 400 902**
Intangible assets (Note 49)	1 013 241		53 897					1 067 138	-966 816	-36 952		-1 003 768	**63 371**	**46 427**
	757 933 979	7 233 670	26 436 859	-	914 600	-	-912 089	791 607 020	-292 468 305	-17 764 380	594 773	-309 637 912	481 969 105	465 465 673

APPENDIX C

uMLALAZI MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2013

	Cost / Revaluation								Accumulated Depreciation					
	Opening Balance 30/06/2012 (Restated)	Under Construction 2012/2013	Additions 2012/2013	Revaluation 2012/2013	Fair Value Adjustment 2012/2013	Impairment losses 2012/2013	Disposals 2012/2013	Closing Balance 30/06/2013	Opening Balance 30/06/2012 (Restated)	Additions 2012/2013	Disposals 2012/2013	Closing Balance 30/06/2013	Carrying Value 30/06/2013	Carrying Value 30/06/2012 (Restated)
	R	R	R	R	R		R	R	R	R	R	R	R	R
Council General	159 895 071	181 607	3 117 135		914 600		-111 038	163 997 375	-11 715 305	-2 690 374	111 038	-14 294 641	149 702 733	148 179 767
Municipal Manager	362 983		308 751					671 734	-201 166	-53 904		-255 070	416 664	161 817
Town planning and building control	665 025							665 025	-501 317	-30 705		-532 022	133 003	163 707
Housing service administration	1 154 986							1 154 986	-515 314	-37 654		-552 968	602 018	639 671
Council administration and political								-						
secretariat	2 268 392		587 181					2 855 573	-1 114 530	-175 894		-1 290 424	1 565 149	1 153 861
Museum	193 166							193 166	-77 121	-10 606		-87 727	105 439	116 045
Libraries	9 935 752							9 935 753	-1 957 179	-361 856		-2 319 035	7 616 717	7 978 573
Town hall	6 229 779		126 661					6 356 440	-1 759 645	-278 353		-2 037 998	4 318 442	4 470 134
Refuse	17 683 386		528 426					18 211 812	-2 269 089	-451 030		-2 720 119	15 491 694	15 414 297
Health	362 245		26 209					388 454	-213 761	-35 189		-248 950	139 505	148 484
Swimming pool	987 635		99 590					1 087 225	-170 391	-33 749		-204 140	883 085	817 244
Clinic	1 188 340							1 188 340	-651 263	-33 163		-684 426	503 914	537 077
Parks, gardens and estates	13 129 714	1 028 225	1 035 411					15 193 350	-1 435 954	-349 937		-1 785 891	13 407 459	11 693 761
Protection services	10 046 828		2 230 955				-65 323	12 212 461	-4 378 738	-879 049	65 323	-5 192 464	7 019 997	5 668 090
Engineers administration	378 916		28 990					407 906	-185 767	-52 805		-238 572	169 334	193 147
Cemeteries	1 878 374		42 000					1 920 374	-72 345	-70 077		-142 422	1 777 951	1 806 029
Airport	14 151							14 151	-4 398	-183		-4 581	9 570	9 753
Chief Financial Officer	4 292 283		107 928				-45 111	4 355 100	-2 522 075	-259 203	45 111	-2 736 167	1 618 934	1 770 208
Stores	418 407		9 027					427 434	-269 670	-23 709		-293 379	134 054	148 737
Electricity administration	68 942 602		824 527				-611 112	69 156 017	-28 754 808	-1 802 344	293 796	-30 263 356	38 892 661	40 187 794
Workshops	413 812		336 642					750 454	-256 073	-45 043		-301 116	449 338	157 739
Public works	457 492 133	6 023 839	17 027 426				-79 506	480 463 892	-233 442 398	-10 089 554	79 506	-243 452 446	237 011 445	224 049 736
												-	-	-
	757 933 981	7 233 670	26 436 859	-	914 600	-	-912 089	791 607 023	-292 468 308	-17 764 380	594 773	-309 637 916	481 969 105	465 465 673

APPENDIX D

uMLALAZI MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2013

		2013 Actual Income	2013 Actual Expenditure	2013 (Surplus)/ Deficit	2012 Actual Income	2012 Actual Expenditure	2012 (Surplus)/ Deficit
		R	R	R	R	R	R
Executive and Council	13	-123 017 884	47 222 150	-75 795 734	-86 021 426	47 692 300	-38 329 126
Budget and Treasury Office	14	-2 253 157	9 734 251	7 481 094	-2 059 022	7 565 398	5 506 376
Corporate Services	15	-1 959 061	7 895 863	5 936 802	-1 482 490	6 814 868	5 332 378
Planning and Development	16	-1 826 486	3 418 396	1 591 910	-1 370 221	2 549 119	1 178 898
Health	17	-2 284 177	4 469 100	2 184 924	-6 224 537	7 133 861	909 324
Community and Social Services	18	-1 792 415	2 914 656	1 122 241	-1 701 989	2 564 647	862 658
Housing	19	-1 375 510	1 245 938	-129 572	-136 472	207 685	71 213
Public safety	20	-4 088 985	18 697 404	14 608 419	-3 168 131	16 321 190	13 153 059
Sport and Recreation	21	-3 029 639	9 163 028	6 133 389	-4 066 661	9 167 734	5 101 073
Waste management	22	-10 603 281	15 049 379	4 446 098	-9 754 680	12 963 331	3 208 651
Road transport	23	-11 932 164	14 977 493	3 045 330	-9 413 398	13 143 849	3 730 451
Electricity	24	-63 297 249	59 607 775	-3 689 474	-48 582 531	45 912 173	-2 670 358
Air transport	25	-	11 523	11 523	-	8 646	8 645
Workshop	26	-	428 962	428 962	-	445 685	445 684
Total		**-227 460 006**	**194 835 916**	**-32 624 090**	**-173 981 558**	**172 490 486**	**-1 491 073**

APPENDIX E (1)

uMLALAZI MUNICIPALITY

ACTUAL COMPARED WITH BUDGETED REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2013

		Actual 2013 R	Budget 2013 R	Variance 2013 R	Variance 2013 %	Explanation of significant variance greater than 10% versus budget
REVENUE						
Revenue from Non-exchange Transactions		**-124 397 865**	**-134 570 092**	**-10 172 227**	**-7.56**	
Taxation revenue		-30 865 112	-31 673 670	-808 558		
Property rates	1	-30 174 405	-30 891 570	-717 165	**-2.32**	
Property rates- penalties imposed	2	-690 706	-782 100	-91 394	**-11.69**	Over budgeted for penalties on arrear property rates accounts.
Transfer revenue		-90 698 176	-99 463 902	-8 765 726		
Government grants and subsidies - operational	9	-90 698 176	-99 463 902	-8 765 726	**-8.81**	
Other		-2 834 577	-3 432 520	-597 943		
Fines	7	-2 834 577	-3 432 520	-597 943	**-17.42**	Under recovery of outstanding traffic fines.
Revenue from Exchange Transactions		**-67 054 668**	**-65 954 550**	**1 100 118**	**1.67**	
Service charges	3	-57 499 708	-58 055 960	-556 252	**-0.96**	
Rental of facilities and equipment	4	-1 707 118	-1 207 720	499 398	**41.35**	Additional revenue raised for cane leases in municipal area.
Interest earned- external investments	5	-2 491 098	-1 100 000	1 391 098	**126.46**	Increased interest due to more investments made during the year.
Licences and permits	8	-3 389 497	-3 366 180	23 317	**0.69**	
Other income	10	-1 845 370	-2 024 690	-179 320	**-8.86**	
(Gain)/ loss on sale of assets	12	-121 876	-200 000	-78 125	**-39.06**	Less assets sold than anticipated.
Total revenue		**-191 452 533**	**-200 524 642**	**-9 072 109**	**-4.52**	
EXPENDITURE						
Executive and Council	13	47 222 150	44 918 133	2 304 017	**5.13**	
Budget and Treasury Office	14	9 734 251	10 175 160	-440 909	**-4.33**	
Corporate Services	15	7 895 863	7 885 800	10 063	**0.13**	
Planning and Development	16	3 418 396	4 102 180	-683 784	**-16.67**	Underspending on Project Management Unit administration cost.
Health	17	4 469 100	4 656 420	-187 320	**-4.02**	
Community and Social Services	18	2 914 656	3 212 455	-297 799	**-9.27**	
Housing	19	1 245 938	1 499 294	-253 356	**-16.90**	Less spend on Sunnydale Extension housing funds received.
Public safety	20	18 697 404	18 585 500	111 904	**0.60**	
Sport and Recreation	21	9 163 028	9 336 360	-173 332	**-1.86**	
Waste management	22	15 049 379	14 892 810	156 569	**1.05**	
Road transport	23	14 977 493	15 610 560	-633 067	**-4.06**	
Electricity	24	59 607 775	65 900 110	-6 292 335	**-9.55**	Integrated national electrification programme grant not fully spend.
Air transport	25	11 523	11 680	-157	**-1.35**	
Workshop	26	428 962	481 480	-52 518	**-10.91**	Less spend on salaries and pension fund contributions.
Total expenditure		**194 835 916**	**201 267 942**	**-6 432 026**	**-3.20**	
(Profit)/ loss on fair value adjustment	38	-914 600	-800 000	114 600	**14.33**	Fair value adjustment on investment properties higher than planned.
(SURPLUS)/ DEFICIT FOR THE YEAR		**2 468 783**	**-56 700**	**-15 389 535**		
Transfers recognised - capital		-35 092 873	-40 611 335	-5 518 462	**-13.59**	
(SURPLUS)/ DEFICIT FOR THE YEAR AFTER CAPITAL TRANSFERS		**-32 624 090**	**-40 668 035**	**-20 907 996**		

APPENDIX E (2)

uMLALAZI MUNICIPALITY

ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2013

	2013 Actual R	2013 Under Construction R	2013 Total Additions R	2013 Budget R	2013 Variance R	2013 Variance %	Explanation of significant variances greater than 10% versus budget
Executive and Council	797 374		797 374	814 928	17 554	2.15%	
Budget and Treasury Office	265 355		265 355	296 900	31 545	10.62%	Actual cost of equipment lower than planned budget.
Corporate Services	3 087 504		3 087 504	5 445 382	2 357 878	43.30%	Purchase of Propnet properties to be finalized in the 2013/2014 financial year.
Planning and Development	6 178		6 178	10 000	3 822	38.22%	Actual cost of air-conditioner lower than planned budget.
Health	16 579		16 579	20 000	3 421	17.11%	Actual cost of furniture and security cameras lower than planned budget.
Community and Social Services	922 657		922 657	2 169 774	1 247 117	57.48%	Creches not completed. Municipal infrastructure grant funds rolled over to 2013/2014 financial year.
Housing			-	-	-		
Public safety	1 823 244		1 823 244	1 832 638	9 394	0.51%	
Sport and Recreation	2 551 007	1 209 832	3 760 839	3 428 000	-332 839	-9.71%	
Waste management	1 503 041		1 503 041	6 651 651	5 148 610	77.40%	Rehabilitation of landfill site not completed. Grant funding to be rolled over to 2013/2014 financial year.
Road transport	23 357 429	6 023 839	29 381 268	28 237 658	-1 143 610	-4.05%	
Electricity	431 797		431 797	757 000	325 203	42.96%	Delivery of transformers expected in 2013/2014 financial year. Roll over capital projects.
Air transport			-		-		
Workshop	44 080		44 080	45 000	920	2.04%	
	34 806 245	7 233 671	42 039 916	49 708 931	7 669 015	15.43%	

APPENDIX F

uMLALAZI MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA (ACT NO. 56 OF 2003)

FOR THE YEAR ENDED 30 JUNE 2013

Grants and Subsidies Received

Name of organ of state and description of grants	Number of grant	Quarterly receipts				Quarterly expenditure				Grants and Subsidies delayed/withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		July to Sept 2012 2	Oct to Dec 2012 3	Jan to Mar 2013 4	April to June 2013 5	July to Sept 2012 2	Oct to Dec 2012 3	Jan to Mar 2013 4	April to June 2013 5				
DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS													
Establishment of pound	54					244 759	209 250	64 474		NO	N/A	YES	N/A
Groundnut activities	52									NO	N/A	YES	N/A
NATIONAL TREASURY													
Municipal Systems Improvement Grant	15	800 000				47 414	166 624	203 479	382 483	NO	N/A	YES	N/A
Municipal Infrastructure Grant	35	10 986 000	7 114 000	8 931 000		9 451 778	2 747 203	1 648 271	11 139 174	NO	N/A	YES	N/A
Financial Management Grant	44	1 500 000				415 496	257 230	89 836	737 438	NO	N/A	YES	N/A
Expanded Public Works Programme Integrated Grant	55	400 000	300 000	300 000			682 220	293 674	4 736				
Integrated National Electrification Programme Grant	56	3 000 000	9 000 000	3 000 000			1 187 628	599 541	6 343 134				
DEPARTMENT OF HUMAM SETTLTEMENTS													
Sunnydale Low Cost	51	367 629				250 800				NO	N/A	YES	N/A
		17 053 629	**16 414 000**	**12 231 000**	**-**	**10 410 247**	**5 250 155**	**2 899 275**	**18 606 965**				
DEPARTMENT OF ARTS AND CULTURAL													
King Dinuzulu Library: Cyber cadet	50					49 495	50 995	50 561	52 892	NO	N/A	YES	N/A
DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES													
Greenest Municipality	53									NO	N/A	YES	N/A
		-	**-**	**-**	**-**	**49 495**	**50 995**	**50 561**	**52 892**				
TOTAL OF ALL GRANTS		**17 053 629**	**16 414 000**	**12 231 000**	**-**	**10 459 742**	**5 301 150**	**2 949 836**	**18 659 857**				

APPENDIX G

uMLALAZI MUNICIPALITY

DEVIATION FROM SUPPLY CHAIN MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2013

Date	Supplier	Item description	Reason for deviation	Value (Rand)
July	Ntumeni Field Services	Attend to defective clutch (NES 997)	Section 36 (1)(a)(v) - Exceptional Case	6 154.80
	Ntumeni Field Services	Attend to defective clutch (NES 3587)	Section 36 (1)(a)(v) - Exceptional Case	20 381.78
	Ritchie Motors	Attend to hour meter (NES 2013)	Section 36 (1)(a)(ii) - Single Supplier	3 227.30
	Provincial Motors	Attend to hour sensor (NES 12345)	Section 36 (1)(a)(ii) - Single Supplier	3 199.95
	Ketelelo Trading	Provision of VIP security	Section 36 (1)(a)(v) - Exceptional Case	21 600.00
	Fujitsu Services	Assistance with stores module	Section 36 (1)(a)(v) - Exceptional Case	46 985.00
	East Toyota	Carry out service (NES 8288)	Section 36 (1)(a)(ii) - Single Supplier	4 469.75
	Ntumeni Field Services	Strip and repair wacker neuson	Section 36 (1)(a)(v) - Exceptional Case	12 867.44

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Mdlovu Protection	Provision of VIP security (July, Aug & Sept)	Section 36 (1)(a)(v) - Exceptional Case	97 059.60
	Netwize	Shadow protector server edition	Section 36 (1)(a)(ii) - Single Supplier	8 322.00
August	Netwize	Supply and deliver external hard drive	Section 36 (1)(a)(v) - Exceptional Case	5 198.40
	Zkz Security	Provision of VIP security	Section 36 (1)(a)(i) - An emergency	64 706.40
	Much Asphalt	Supply & deliver cold mix	Section 36 (1)(a)(ii) - Single Supplier	29 324.22
	Much Asphalt	Supply & deliver cold mix	Section 36 (1)(a)(ii) - Single Supplier	29 640.00
	Much Asphalt	Supply & deliver cold mix	Section 36 (1)(a)(ii) - Single Supplier	29 640.00
	Kwik Space	Relocation of park home	Section 36 (1)(a)(ii) - Single Supplier	11 325.90
	Provincial Motors	Carry out service (NES 12345)	Section 36 (1)(a)(ii) - Single Supplier	5 041.15
	Nefcon Roadtech	Service and calibrate testing equipment	Section 36 (1)(a)(ii) - Single Supplier	3 705.00
	Global Transformer	Strip, check and repair transformer	Section 36 (1)(a)(v) - Exceptional Case	25 764.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Aros Protection	Provision of VIP security (July, Aug & Sept)	Section 36 (1)(a)(i) - An emergency	111 000.00
September	Mpande Yesizwe Trading	Supply, deliver and install air conditioner	Section 36 (1)(a)(v) - Exceptional Case	12 000.00
	Netwize	Supply, deliver and install port & hard drive	Section 36 (1)(a)(v) - Exceptional Case	8 675.40
	Much Asphalt	Supply & deliver cold mix	Section 36 (1)(a)(ii) - Single Supplier	14 820.00
	Imperial Nissan	Carry out service (NES 11486)	Section 36 (1)(a)(ii) - Single Supplier	3 487.16
	Ntumeni Field Services	Strip and repair wacker neuson	Section 36 (1)(a)(v) - Exceptional Case	3 069.24
	Eshowe Junior School Hostel	Accommodation for athletes	Section 36 (1)(a)(v) - Exceptional Case	14 500.00
	Eshowe Environmental Centre	Accommodation for athletes	Section 36 (1)(a)(v) - Exceptional Case	12 040.00
	Zale Projects	Variation works	Section 36 (1)(a)(v) - Exceptional Case	63 498.00
	Box Clever	Monthly rental of containers (Sept, Oct, Nov)	Section 36 (1)(a)(v) - Exceptional Case	48 735.00
	Melmoth Cartage	Variation works	Section 36 (1)(a)(v) - Exceptional Case	38 718.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
October	Candi Lite Cables	Refurbish festive lighting	Section 36 (1)(a)(ii) - Single Supplier	13 680.00
	Brockwell Engineering	Strip, check and repair gearbox (NES 4214)	Section 36 (1)(a)(v) - Exceptional Case	4 248.43
	Fujitsu Services	Completion of asset module set-up	Section 36 (1)(a)(v) - Exceptional Case	167 682.00
	Aros Protection	Provision of VIP security (Oct, Nov & Dec)	Section 36 (1)(a)(v) - Exceptional Case	111 000.00
	Mdlovu Protection	Provision of VIP security (Oct, Nov & Dec)	Section 36 (1)(a)(v) - Exceptional Case	97 059.60
	Ketelelo Trading	Provision of VIP security (Oct, Nov & Dec)	Section 36 (1)(a)(v) - Exceptional Case	64 980.00
	Aros Protection	Provision of VIP security (Oct, Nov & Dec)	Section 36 (1)(a)(v) - Exceptional Case	55 500.00
	Makheda Security	Provision of VIP security (Oct, Nov & Dec)	Section 36 (1)(a)(v) - Exceptional Case	64 638.00
November	Betong Precast	Supply and deliver kerbs	Section 36 (1)(a)(ii) - Single Supplier	12 400.00
	Provincial Motors	Supply and fit speedo control unit (NES 12345)	Section 36 (1)(a)(ii) - Single Supplier	5 611.95
	Global Transformer	Variation order - testing of panel	Section 36 (1)(a)(v) - Exceptional Case	4 560.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Ntumeni Field Services	Attend to defective clutch (NES 4544)	Section 36 (1)(a)(v) - Exceptional Case	3 942.41
	Ntumeni Field Services	Attend to leaking tip & brake cylinder (NES 5314)	Section 36 (1)(a)(v) - Exceptional Case	4 691.22
	East Toyota	Carry out service (UML 2 - ZN)	Section 36 (1)(a)(ii) - Single Supplier	3 360.00
	Unqondo Projects	Supply & fit brackets, roller and guide for ladder	Section 36 (1)(a)(ii) - Single Supplier	14 734.50
	Netwize	Supply and deliver Microsoft SBS server	Section 36 (1)(a)(v) - Exceptional Case	13 930.80
	VIP Payroll	Attend annual tax seminar	Section 36 (1)(a)(ii) - Single Supplier	3 420.00
	Ritchie Motors	Carry out service (NES 5242)	Section 36 (1)(a)(ii) - Single Supplier	3 813.75
	Madimandile Trading	Refuse collection and transportation from CBD	Section 36 (1)(a)(i) - An emergency	152 436.00
	Fujitsu Services	Various reports to audit & training for Revenue	Section 36 (1)(a)(ii) - Single Supplier	51 528.00
December	Fire Check	Variation order - supply fire hoses	Section 36 (1)(a)(v) - Exceptional Case	6 583.50
	Provincial Motors	Carry out service (NES 12488)	Section 36 (1)(a)(ii) - Single Supplier	6 093.22

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Ntumeni Field Services	Strip, check and repair tractor (NES 5771)	Section 36 (1)(a)(v) - Exceptional Case	11 667.63
	Makheda Security	Provision of VIP security (January)	Section 36 (1)(a)(v) - Exceptional Case	18 500.00
	Netwize	Design template for SMME database	Section 36 (1)(a)(v) - Exceptional Case	9 667.20
January	Magins Truck	Carry out service (NES 2756)	Section 36 (1)(a)(v) - Exceptional Case	5 926.29
	Truvelo Manufacturers	Supply & deliver safety wear of pro laser	Section 36 (1)(a)(v) - Exceptional Case	5 531.85
	Palisade Concrete	Repairs to damaged palisade fence	Section 36 (1)(a)(v) - Exceptional Case	6 965.40
	Sizakwethu Trading	Hire of portable toilets	Section 36 (1)(a)(i) - An emergency	10 000.00
	Much Asphalt	Supply & deliver cold mix	Section 36 (1)(a)(ii) - Single Supplier	29 640.00
	Ketelelo Trading	Provision of VIP security (January)	Section 36 (1)(a)(v) - Exceptional Case	21 600.00
	Ezingcali Trading	Supply & deliver of marquee tent - funeral	Section 36 (1)(a)(i) - An emergency	17 218.75
	Ezemanyuswa Trading	Supply catering services - funeral	Section 36 (1)(a)(i) - An emergency	10 000.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Bright Idea Pro 182	Supply catering services - funeral	Section 36 (1)(a)(i) - An emergency	18 750.00
	Much Asphalt	Supply & deliver cold mix	Section 36 (1)(a)(ii) - Single Supplier	29 640.00
	Mdlovu Protection	Provision of VIP security (January)	Section 36 (1)(a)(v) - Exceptional Case	32 353.20
	Aros Protection	Provision of VIP security (January)	Section 36 (1)(a)(v) - Exceptional Case	37 000.00
	Aros Protection	Provision of VIP security (Jan, Feb, March)	Section 36 (1)(a)(v) - Exceptional Case	55 500.00
	Prokon Software	Supply and install AutoCAD programme	Section 36 (1)(a)(v) - Exceptional Case	51 042.82
February	Rovan Security	Supply, delivery and repair alarm	Section 36 (1)(a)(v) - Exceptional Case	3 130.00
	Lexis Nexis	Supply Local Government Library boxes	Section 36 (1)(a)(ii) - Single Supplier	7 588.09
	Global Transformer	Strip, check and repair transformer	Section 36 (1)(a)(v) - Exceptional Case	16 974.60
	Redspike Security	Provision of VIP security (February and March)	Section 36 (1)(a)(v) - Exceptional Case	43 999.98
	Redspike Security	Provision of VIP security (February and March)	Section 36 (1)(a)(v) - Exceptional Case	43 999.98

Date	Supplier	Item description	Reason for deviation	Value (Rand)
March	Ritchie Motors	Carry out service on tractors (NES 2013 & NES 5242)	Section 36 (1)(a)(v) - Exceptional Case	8 431.30
	Hydro Diesel	Attend to rear shackle pins, brakes (NES 9199)	Section 36 (1)(a)(v) - Exceptional Case	7 861.65
	Eshowe Motors	Attend to head gasket blown (NES 4214)	Section 36 (1)(a)(v) - Exceptional Case	3 586.00
April	Jetchem	Unlock storm water pipe	Section 36 (1)(a)(v) - Exceptional Case	22 230.00
	Eshowe Motors	Supply new cylinder head	Section 36 (1)(a)(v) - Exceptional Case	6 350.00
	Aros Protection	Provision of VIP security (April, May, June)	Section 36 (1)(a)(v) - Exceptional Case	55 500.00
	Aros Protection	Provision of VIP security (April, May, June)	Section 36 (1)(a)(v) - Exceptional Case	148 000.00
	Redspike Security	Provision of VIP security (April, May, June)	Section 36 (1)(a)(v) - Exceptional Case	110 999.94
	Makheda Security	Provision of VIP security (April, May, June)	Section 36 (1)(a)(v) - Exceptional Case	126 540.00
	Redspike Security	Provision of VIP security (April, May, June)	Section 36 (1)(a)(v) - Exceptional Case	110 999.94
	Fujitsu Services	Additional work to asset module	Section 36 (1)(a)(v) - Exceptional Case	52 896.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Much Asphalt	Supply & deliver cold mix	Section 36 (1)(a)(ii) - Single Supplier	30 096.00
May	Brockwell Engineering	Strip, check and repair radiator (NES 7563)	Section 36 (1)(a)(v) - Exceptional Case	4 009.95
	AMM Management	Waste contract	Section 36 (1)(a)(v) - Exceptional Case	28 500.00
	Judy Magwaza	Waste contract	Section 36 (1)(a)(v) - Exceptional Case	28 620.00
	Ezengcali Trading	Hire of 1000 seater marquee tent	Section 36 (1)(a)(v) - Exceptional Case	7 500.00
	Edu Africa	Hire of VIP toilets	Section 36 (1)(a)(v) - Exceptional Case	4 000.00
	Hydro Diesel	Attend to truck brakes (NES 997)	Section 36 (1)(a)(v) - Exceptional Case	3 013.31
	TSS Engineers	Strip, check and repair on T3 RM unit	Section 36 (1)(a)(v) - Exceptional Case	15 385.44
	Hkule Development	Additional work at community garden	Section 36 (1)(a)(v) - Exceptional Case	27 159.00
June	RIS Vehicle	Hire of vehicle (June)	Section 36 (1)(a)(i) - An emergency	19 549.50
	Icora FM	Live slots for awareness programme	Section 36 (1)(a)(v) - Exceptional Case	5 720.00

Date	Supplier	Item description	Reason for deviation	Value (Rand)
	Truvelo Manufacturers	Calibration of speeding equipment	Section 36 (1)(a)(ii) - Single Supplier	3 459.97
	Audio Computers	Supply and deliver Mercer computer	Section 36 (1)(a)(v) - Exceptional Case	18 331.20
	Mroza Entertainment	Programme director for soccer tournament	Section 36 (1)(a)(v) - Exceptional Case	25 000.00
	Redspike Security	Provision of VIP security (June)	Section 36 (1)(a)(v) - Exceptional Case	40 812.00
	Rail Marketing	Additional work - weed eradication	Section 36 (1)(a)(v) - Exceptional Case	47 610.00